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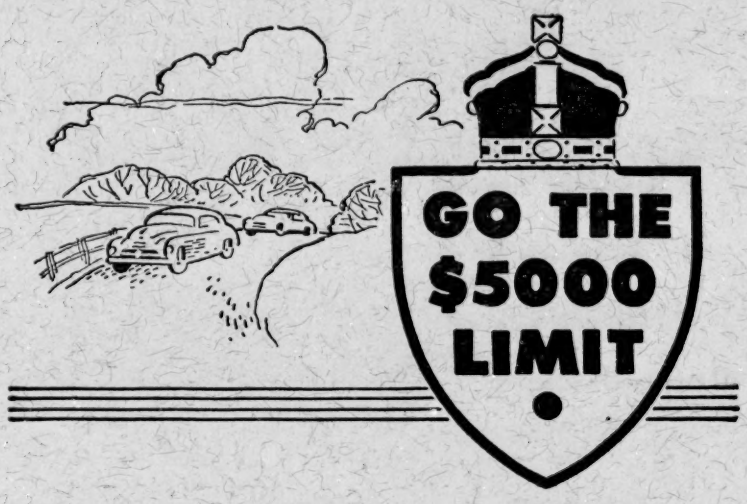

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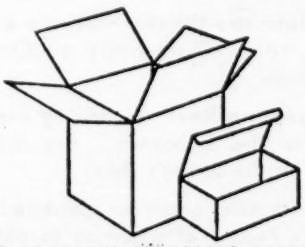

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Business Looks at '54

On October 9th, the School of Business Administration sponsored a panel discussion of the business outlook for 1954. The panel, under the chairmanship of Mr. J. R. White, President of Imperial Oil, Ltd., consisted of Professor Paul McCracken, University of Michigan; Mr. Douglas Gibson, of the Bank of Nova Scotia, and Professor Gordon Huson, University of Western Ontario. As a feature of this meeting, the results of the fourth Poll of Canadian Executive Opinion were announced. These results are tabulated on the opposite page.

Speaking of the American scene, Dr. McCracken expressed the feeling that the boom beginning in 1950 reached its crest in the spring of 1953. He did not think, however, that 1954 would bring any consequential change in the level of U.S. economic activity.

Professor Huson, discussing the European scene, felt that England and Germany would experience improvement in their economic situations in 1954. He was considerably less cheerful about Italy and France.

Mr. Gibson, giving his views about Canada was less optimistic. He felt that minus signs in the economy were more numerous than were plus signs. He foresees 1954 as a "pretty good year, not quite as good as 1953".

The feeling of Canadian business men about their own businesses as expressed by respondents to the Poll, seems to be one of cautious optimism. Dr. McCracken noted that professional economists in the United States are generally more pessimistic about 1954 than are American businessmen. This seems also to be true in Canada for the economist represented by Mr. Gibson was less optimistic than the businessman represented by the Poll. *Business* looks for a good '54.

The Poll of Canadian Executive Opinion

Results of Poll No. 4

The results of the fourth Poll of Canadian Executive Opinion represent the attitudes of 183 senior Canadian business executives concerning the 1954 outlook for their firms. Many of these firms, whose present and possible future operations are reflected in the opinions expressed, are leaders in varied industries across Canada.

An analysis of their probable plans for the coming year, as compared to 1953, follows:

1. VOLUME OF PHYSICAL PRODUCTION:

Greater in '54	43%*
Same	35
Smaller	21
Uncertain	1

2. RAW MATERIAL ORDERS:

Greater in '54	37%*
Same	39
Smaller	22
Uncertain	2

3. LABOUR:

a. Size of Labour Force:

Greater in '54	17%
Same	63
Smaller	16
Uncertain	4

b. Average Individual Hourly Wage:

Higher in '54	49%
Same	46
Lower	1
Uncertain	4

c. Employer-Employee Relationships:

Better in '54	16%
Same	69
More Strained	8
Uncertain	7

4. INVESTMENT IN NEW PHYSICAL FACILITIES:

Greater in '54	32%
Same	38
Smaller	27
Uncertain	3

5. PRICES OF PRODUCTS AND/OR SERVICES:

Higher in '54	18%
Same	60
Lower	18
Uncertain	4

6. COMPANY EARNINGS BEFORE TAXES:

Higher in '54	35%
Same	31
Lower	27
Uncertain	7

* Of those to whom question was applicable.

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About Our Authors . . .

Dr. A. A. MacVicar received his B.A. degree from Acadia University and in 1942, his M.D.C.M. from Dalhousie University. He served as Medical Officer in the Royal Canadian Air Force during World War II and then practised general medicine until 1950. Following post-graduate work, he joined the P.E.I. Division of Mental Health, of which he is now Assistant Director.

Neil M. Armstrong, who prepared the article, "Personnel Recruiting on the Campus", graduated from the U.W.O. School of Business Administration and is at present its Placement Officer. He is also Business Manager of the *Quarterly.*

"Developing a Management Philosophy" was written by **A. Stewart Thompson, Jr.,** who is associated with Supersilk Hosiery Mills in London. Mr. Thompson is an interested student of management and is an active member of the American Management Association, Society for the Advancement of Management, National Office Management Association, and Personnel Association of London.

Mrs. J. R. Nicholson has been Managing Editor of the *Quarterly* for the past three years. In addition, as chairman of the School's research committee, she has an active interest in the student research projects. In this issue, she presents the results of part of this program. Mrs. Nicholson is a graduate of Queen's University and received her M.B.A. at Boston University.

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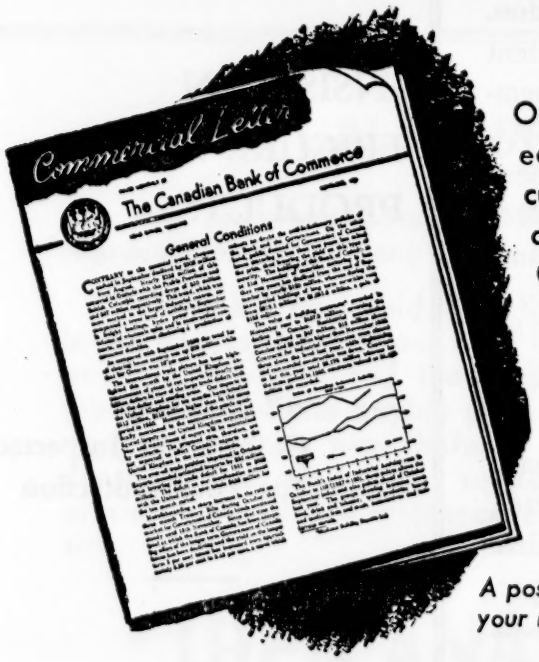

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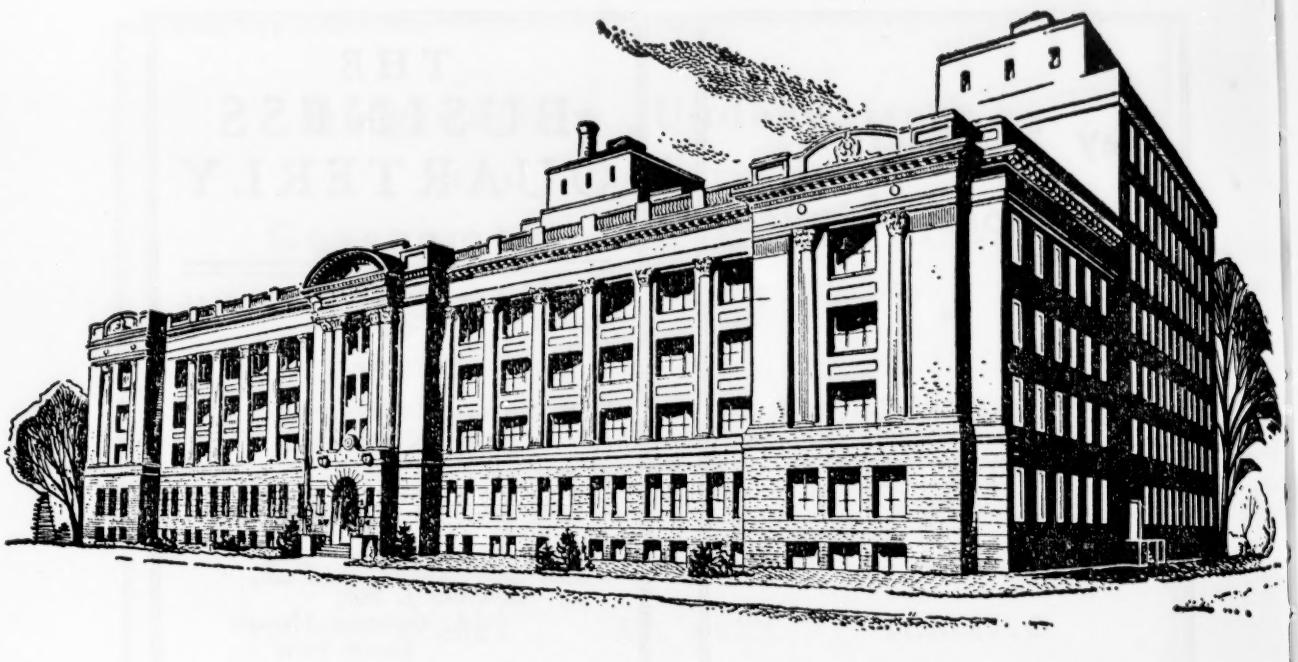

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Using Company Personnel in Human Relations

A. A. MacVicar

A healthy mental attitude on the part of its employees is one of the most significant assets a company possesses. Dr. MacVicar suggests a technique by means of which a mental health program may be effected in an average business organization, using the available personnel, and presents a penetrating analysis of the ultimate value of such a program.

All businesses, whether large or small, must have some form of organization composed of owner or manager, supervisors, and operators before they can function satisfactorily. Since all modern industry is based on this structure, and within the foreseeable future no great change in this type of organization can be prophesied, the adjustment of the individuals and groups within industry to this type of structure is an increasingly important problem.

A great deal of time, money, and study have been spent in investigating the reactions of individuals and groups in industry. For almost thirty years innumerable articles, books, and lectures have been appearing, and there has been apparent interest in these productions. Many businessmen and other leaders have undoubtedly read and heard the material, but there seems to be a continuing demand for more answers and information before the problems will be attacked energetically. In this scientific and organized age, the world seems dazzled by inventions and gadgets, and industry is not alone in its waiting for some pat, scientific solution to the human problems it constantly faces. It appears that everyone is hoping for a solution that will be easy and will not involve the personal efforts of those not emotionally disturbed; each anticipates a day when "scientific" workers will be able to come into plants, factories, and offices and lay down rules of good mental health which will prevent illnesses, and weed out and treat those who are already emotionally ill. No matter how much is written and preached, this is not possible, for very simple reasons: Rules and platitudes never made an unhappy person happy; secondly, there are not enough psychiatrists, psychologists, or social scientists to place in every business; and finally, there is no need for such specialists fulltime in most businesses. One does not have to be professional to be humane.

The Value of Sound Mental Health in Industry

The impetus for any constructive action regarding psychological problems in industry must come from the "top" in both management and labour. No matter how urgently the operators and supervisors feel about their "nerves", their gripes, or their worries, they cannot do anything about them within the business structure unless some agency is set up by management or labour which is able to deal with them. Most people know now that emotional attitudes account for great losses in dollars and cents through absenteeism, accidents (accident-proneness), ulcers, high blood pressure, asthmatic attacks, headaches, heart attacks, neuroses, and mental illness. Even in purely financial interests, management and labour would do well to examine methods to deal with the worker's emotional problems as well as their own.

There has been so much written about the workers that the leaders in management and labour must be under the impression that they as a group are immune to emotional casualties. Each individual knows that this is not true in his case: He has noticed that at times he drank and smoked more than usual because of tension, was more irritable, had headaches, couldn't get to sleep easily, couldn't concentrate as well as usual, perhaps had feelings of depression and sense of failure, jumped at noises, found fault with and was even suspicious of his fellows. Reading about deaths from heart attacks of prominent leaders in management and labour, some became aware of their own tightening chest pains, shortness of breath, or flushed faces when they became "worked up" in a conference and decided to "take it easy". Personally many know they are affected, but as a group the leaders seem very lax in developing plans to deal with emotional problems among themselves or their employees. The New York Life Extension Examiners are reported to have found that only twenty percent of 25,000 executives averaging 45.6 years of age were in normal health.[1] "To most companies, the fallacy in lavishing care on their machines, while neglecting their men, is a revelation. . . . It is the visible sign of the depreciation of a valuable company asset."

A Self-Administered Program

Now, assuming that further discussion of emotional problems is superfluous and that most people realize their presence, what can be done by industry to deal with them as they occur? The desire on the part of leaders in management and labour to seek help would in itself be constructive. The professional scientists — psychologists, psychiatrists, social scientists, personnel workers — have been investigating, probing, interviewing, and laying out statistics for too long a time. In many cases they have caused antagonism, and their findings and recommen-

[1] *Time*, March 30, 1953.

dations have been nullified by resistances and hostility. It is true that in some industries they have been asked to apply their knowledge, especially during World War II, but generally their investigations are merely piling up knowledge which isn't being used where it is most needed. If industry desires knowledge to help it, it can have it in abundance, but it cannot get the professional personnel to apply it. Industrial leaders will have to learn to do it themselves within the organization already existing on the job, that of owner or manager, supervisors or foremen, and workers. To these may be added, where applicable, the plant physicians and nurses, first aid men, and personnel and industrial relations officers. Union management will have to be asked to help. Professional help could only train or advise; only a few large organizations could afford to employ fulltime the few psychiatrists and psychologists available.

Management may, at any given time, be sincerely interested in setting up a workable plan to deal with psychological problems. It should be recognized, however, that the problems of sustaining this interest over an extended period cannot be overlooked. Likewise, one cannot ignore the problems of personnel relationships occasioned by an attempt to carry out what is essentially a service function within the framework of the regular productive activity. Such problems are sufficiently grave to call for a separate report, but should be borne in mind during any discussion of such a program. The first of these steps would be to see what personnel would be used.

The Use of Existing Personnel

The supervisors, those in authority who are dealing closely with the workers, will bear the brunt of workers' emotional problems. They know the most about how the men feel, what they worry about, what they think about, and what they are happy about. Today, even with personnel counsellors and plant physicians, the supervisor is the day-to-day advisor as far as emotional problems are concerned. He is the man to whom the employees first turn. He is the one who must be supported and trained by those in higher authority: supported, because he has the unfortunate task of trying to satisfy men above and below him, as one man calls him — "master and victim of double-talk"; trained, because he should be able to deal with many of the ordinary employee problems without becoming too disturbed himself and also should be able to distinguish the minor emotional disturbances from the serious. Working and living closely with the men under him, the supervisor can often recognize the variations in the individual's usual personality, but he may well become either bewildered, too sympathetic, or hostile when the worker shows unusual physical or emotional symptoms. For example: A shy, quiet, seclusive employee may become boisterous,

overtalkative, and bold, boast of his accomplishments, and spend his money extremely freely; or a boisterous person may become quiet; an employee with a good work record may day-dream, make errors, lose ambition, or show poor concentration; another may show hypersensitivity to criticism, which previously did not exist, breaking into tears; one may exhibit sudden and marked suspicion and jealousy. All these symptoms may indicate serious emotional or organic cerebral disease, and though a medical specialist may have to be called to diagnose the disease, any observant and interested supervisor should realize the change. Therefore, the supervisor should be given basic training in the art of supervision, with special reference to human relations and some orientation in emotional attitudes.

Many supervisors would welcome some plan whereby they could be relieved of some of their own tensions and also learn how to relieve the workers' tensions. However, as with heads of firms, some will show marked resistance to discussion of emotional and physical problems, to discussion of their role of supervisor, and to the thought of "molly-coddling" their men. They may, by their behaviour, show personal emotional attitudes which should be recognized as being detrimental to the morale of the men under them. In some cases, if the plan is to be carried out seriously, there may have to be appeals to the men themselves in an effort to ascertain the most capable supervisor available, even if a worker has to be promoted to replace the present one. One form of finding leaders was used in the second World War with gratifying results; the men were asked to vote by secret ballot on those they most wanted to lead them and those they least wanted. In groups with good morale, the present leaders were chosen by most in the group. In groups with low morale, no one got enough votes to be considered desirable, and leaders had to be brought from outside the group.

In addition to the supervisors, the nurses, the first aid men, and the industrial relations men would need further understanding of emotional problems and how they affect work behaviour and cause accidents and sickness. With no psychologist or psychiatrist on staff, the plant physician should be given the opportunity of orienting and training these employees. If he doesn't feel he knows enough but wishes to learn, he in turn may seek additional training in short courses at university centres if necessary. He is not expected to be a psychiatrist, but his usefulness to the company is enhanced by his greater ability to recognize and deal with emotional attitudes and his ability to train those under him. It is considered that at least ninety percent of all emotional disturbances can be handled by trained plant personnel, headed by the doctor.

Training and Administration

Company officials, labour leaders, plant physicians, and personnel men might next plan how they could best use and train the significant members of the organization. If available, a psychiatrist or clinical psychologist could be consulted to help in the discussion. In these meetings the consultant should point out to management and labour that they have a very strong influence on the atmosphere of the whole company; that their responsibility to those under them includes more than making greater production — it also includes "creating satisfactions"; that most people do not know their own power, or always where it lies or how to use it; that many do not know how to delegate authority, to lessen their own responsibility without "losing face", to give a subordinate more freedom of decision without endangering the business or weakening their own leadership; that many do not realize they are servants as those under them are servants; that any plan developed in the company to deal with emotional problems must have the continuing interest and support of management and labour, without too much pressure or interference. The consultant could also point out that the psychological principles to be applied to the company as a whole should be practised by the executives and labour leaders in their relations to their superiors and subordinates. If the consultant is still received without marked hostility, and is not rejected or ejected, he could then introduce the problem of training.

At this point, if there is a plant physician present, he could be asked what he felt he could do, whether he could furnish time to help train the supervisors to watch for emotional disturbances and to deal with the mild cases. Many plant physicians are doing excellent work themselves in handling workers' and executives' emotional problems, but they cannot cover a whole company without the cooperation of understanding and helpful supervisors. There are still many doctors who have little interest in or knowledge of these problems. Most of the younger doctors are being exposed to psychiatric concepts in medical school, but there is still much skepticism and lack of interest concerning the subject. However, if the plant physician shows interest, he could plan to meet with the supervisors at regular intervals to discuss problems they may have with their men. The company which has a well-oriented physician would have the plan in operation quickly. The psychiatrically-oriented plant physician would realize that the more the supervisors develop confidence and security in their dealings with the men, the fewer sickness cases he would find. He would know that the majority of workers' problems can be handled "on the spot" if caught in time.

In companies where the plant physician is only part-time, or where family physicians are on call, the training of supervisors will be more

difficult. A consultant psychiatrist, clinical psychologist, or a general medical practitioner from the community who might have special interest in the subject would then have to start the program. If possible, some of the supervisors might receive more intensive training so they could lead the discussions. Then the supervisors could carry on by themselves, asking for professional help when they had problems which seemed more difficult.

Small groups of those supervisors of nearly equal level should meet together. Everyone knows that a wide gap in supervisory levels would leave some tongue-tied or resentful; also groups of more than ten or fifteen cannot have the homogeneity which is necessary for solving explosive emotional problems. The supervisors should be reassured constantly both by their superiors and by the plant physicians that they are not wasting their time if an employee wishes to "air his gripes"; that improvements are noticed in their groups because of their efforts; and that the company heads continue to believe in the usefulness and necessity of such a plan for the men and themselves. Needless to say, the company officials should establish that the success of the plan depends on the sense of freedom and responsibility of each supervisor.

The Emotional Needs of the Employees

If such plans could be put in operation — and in a few American companies they have already been inaugurated — management and labour should not expect to have all their problems solved. There is no mechanical cure-all. It is not believed that emotional illnesses are caused by industry alone. Many of the more serious breakdowns would happen anywhere. So much help is being planned for industry because more and more people are crowding into these organized communities and as ordinary people they cannot seem to be comfortable within this structure. The general problem of looking after them has gone beyond their ordinary material welfare. They are making more money, but they are not more secure.

Basically all investigators have agreed that there are certain needs which all workers must have satisfied if adjustment to the work situation is to be at an optimum. The most important one seems to be a sense of belonging. This is partially satisfied by the small groups which are found in companies. They also must enjoy emotional, as well as material, security. They must find some satisfaction in their jobs, must have their work recognized as being necessary, and must feel that they have equal chance for advancement with respect to their fellows. One can become philosophical at this point and discuss the great need for dependence and trust which all people have which is not being satisfied- a need which seems to be behind the factors just mentioned, but is also

behind the emotional attitudes shown by people in every walk of life. This problem is not only industry's, although companies as units are suffering because they do not recognize their responsibility in nurturing trust and recognizing the deep need for dependency in executives and workers; and management and labour generally are suffering because of their deep mutual distrust which has arisen mostly out of past behaviours. This problem is too large for the scope of this paper.

Steps to Insure Emotional Satisfaction

There are methods, however, which industry can use to deal with some of the general factors mentioned, and perhaps in the dealing with them more trust may be engendered.

Research has found that no job is boring; it is the person who works at the job who is bored. No matter what the job, there is someone who could fill it and find it satisfying and just within his capacity. Because of this knowledge, some companies use tests and interviews to choose a man for a job and to reassess him during employment. This plan works quite satisfactorily where it is used, but in the majority of companies individuals are being accepted who are physically, mentally or emotionally unfit for jobs which they may desire and for which they show aptitude, and the companies suffer from loss in production, through lowered efficiency and illnesses. Employers and agencies are so interested in filling quotas that the individuals' personalities are not taken into much account, beyond the usual physical examination and the general assessment of the applicants' mentality.

The special assessment of the applicant where there are no psychological tests or employment interviews by capable personnel should and does rest with the physician examining the applicant. Here again, a psychiatrically-oriented physician can do a great service to his company and to the individual applicant by taking time to assess him as a personality, emotionally and mentally, and from his conclusions to recommend him for certain positions in the company. As mentioned before, the plant physician must be assured that company executives will respect his judgment, and will make a reasonable attempt to carry out his suggestions. With this assurance, he can make an effort to prevent employment of strange personalities who could harm group spirit, or to place them where they could be more closely supervised, if their skill warranted their employment. This policy should be expected to include those in the executive branch also.

The same assessment should be applied to the employees, using the supervisors' reports, complaints from management, and data from sick parades and accidents. The personalities of those in line for promotion

or transfer should be examined to prevent what psychiatrists call "promotional depressions"—caused by fear of failure and responsibility. This type of supervision can only be done by the continuing education of all levels of a company in the knowledge that the emotional attitudes of workers can make or break the satisfactory functioning of the whole structure.

Positive Results of the Program

If company leaders were to go so far as to help set up plans with the personnel already employed, to "create satisfactions" among their employees, they may find something else has entered into the management-labour relationship: something which was not definitely aimed at when the plans were conceived. Employees would feel they could trust their employers more; that much effort seemed to be made to give them a "break". Supervisors would feel a freer responsibility, but with the knowledge that their difficult role was understood and they had access to relief of their tensions; and employers themselves might more easily accept the fact that their employees are not just "bodies" or "hands", but have problems not much different from their own.

It must be reiterated that no plan can prevent or cure all emotional ills. No organized plan can possibly accomplish that. Yet, employees can realize that management is sincerely willing to explore and utilize all methods which might alleviate the constant strain of trying to live within an artificial structure; that management realizes that no person is immune to emotional tensions and symptoms; and that a common, mutual problem should be attacked with the combined efforts of everyone, and not just impressed on the workers and supervisors because of a whim on the part of company executives.

It may be possible to conceive that the application of sincere humble interest in one's own emotional welfare and that of one's fellow may be the only method by which the different levels of the modern industrial structure may find a common meeting ground.

Developing a Management Philosophy

A. S. Thompson, Jr.

"It is essential, in trying to make work better and easier, to keep direction. The central part in railroading is the locomotive. The one essential for a locomotive is to stay on the track.

"The business man, too, needs a track. He has to have a philosophy, a code of values, a sense of direction, that are in keeping with his personality, his business and his environment."[1]

IT has been said that good management is the result of principles and practices that have universal application. The development of a philosophy for management involves an effort on the part of the manager to express his basic responsibilities, his "code of conduct", in writing. This basic philosophy, once clarified and understood by company personnel, serves as the foundation upon which these principles and practices may best be applied in a particular company.

What is Management Philosophy?

Written statements of an individual company's management philosophy are variously called company objectives, basic policies, management creed, or just management philosophy.

The preparation of the company's philosophy of management involves two basic steps:

(1) The company's objectives must first be outlined. The first, or the seventh, effort to put these objectives in writing may be torn up, but eventually by that effort the company's purpose will be thought through, and finally sights will be set on certain specific objectives.

(2) After deciding upon the destination of the company, management should establish the means of arriving at that destination. This involves programming management activity so that these objectives may be attained. In other words, after we have decided where we want to go, we must decide how we are going to get there and by what specific means. A systematic approach to the management of the company is thereby likely to be achieved.

[1] *The Royal Bank of Canada Monthly Letter,* July, 1953.

Every manager possesses a philosophy or attitude towards the function of management. Some persons maintain attitudes which are called "informed" or "enlightened", while other attitudes may be typical of the "stone age" views that still exist in certain areas and certain companies. As an example of different attitudes towards management we could compare "management" in the slave-labour factories and mines of Russia with that which many executives endeavour to practise in our free countries. In Russia the individual as an "employee" and as a customer is insignificant. In our democratic societies the individual as an employee and as a customer is of inestimable importance. Between these two there exist many various attitudes — philosophies, if you will — towards management responsibilities based on the value of people.

A statement of management philosophy expresses the attitude of a company's chief executive towards his responsibilities as manager of the organization. It indicates a recognition by that chief executive of certain obligations. It clarifies the broad objectives of the enterprise and establishes the methods to be used in attaining them.

Mr. Curtis H. Gager, Vice-President, General Foods Corporation, made this comment before the American Management Association's General Management Conference in June, 1953:

> "Thus far we have emphasized that a business must have a philosophy toward itself, its people, and its purposes that gives adequate reason for being. Further, a business attains its potential of growth only as the management determines the direction the business should take, the principles for which it stands, and the policies which are to guide it.
>
> "But, while these offer a firm foundation for all the thinking to be done and the decisions to be made, they are of little value unless the organization making up the primary management of the business defines its goals and ultimately constructs a plan and program for reaching those goals.
>
> "In its purest application, this requires practical planning at the highest level as well as in the subordinate departments of the organization. There are many separate areas in which concrete plans should be made in preparation of an action program."[1]

Modern Management A Philosophy

When we think of scientific management, just what comes to our minds? Does this term mean only certain specific techniques such as performance rating, activity analysis, or an up-to-date materials handling

[1] *AMA General Management Series No.* 166, American Management Association.

system? Certainly not in the mind of F. W. Taylor, father of the "scientific management" movement. He meant that the term should apply to an attitude or mental approach to the task of "managing" that produces improved methods, improved morale, improved results, and improved profits. Some refer to scientific management as "management by facts", or the "inquiring mind approach" to business administration. These terms indicate that basically scientific management is an informed attitude towards the function that is known as "management". It is a concept or philosophy. Harry S. Freedman, Treasurer and Factory Superintendent of A. Freedman & Sons, Inc., expressed it this way in the May, 1950, issue of the *Harvard Business Review,* in an article entitled "Scientific Management in Small Business":

> "For many . . . . business managers the introduction of scientific management requires thinking in new terms and acting along different channels. Actually the approach is not limited to the use of a few techniques, but encompasses the entire range of company activities without exception. Indeed, it is perhaps more of a point of view than a collection of technical procedures."

There are those whose interest in the field of management is similar to the lawyer's or physician's interest in his profession as indicated by the desire to keep up-to-date by reading and by attending conferences and discussions where improved methods and techniques are presented. The "scientific" manager is always looking for improved ways to get better results through the efforts of others. He is questioning *his* methods and attitudes. He is management-research minded. He has a "scientific philosophy" of management.

A Unifying Force

In the quotation at the beginning of this paper, a management philosophy is compared to the track of the railroad. The locomotive must keep on this track if it is to reach its destination. In any undertaking, the direction must be planned, and the track pursued if a successful outcome is to be realized. In some companies, effort has never been made to define objectives or to clarify purposes. In other companies, however, the main track — the real objective — has been so cluttered with various branch lines — personal and departmental objectives — that much steam and effectiveness is lost in trying to reach the ultimate destination at optimum or near optimum efficiency.

Most managements recognize certain obligations to all the owners of the business, to the personnel employed in the company, to the suppliers, to the customers, to the public, and to the community in which the organization is situated. It is the realization that these wide obliga-

tions should be well understood by all those in the business that has led many managements to articulating them in a written statement.

This statement must be intended to form the core of the effective administration of the business. It must be incorporated into the daily direction and operation of the organization. What is the reason for the keen interest in the structure of management organization on the part of many chief executives? They realize that a good organization embodies the clarification of each person's responsibilities and the regular review of individual performance as compared to objectives and standards. It involves the integration of all functions into an effective structure of management responsibility.

Thoughtful clarification of responsibility and authority throughout a company will enable the company, a group of cooperative individuals, to function as effectively as if it were, in fact, one man. There must be some consistency in the thoughts of those who direct others in the company if their conjoint actions are to achieve maximum effectiveness. Their thoughts must run along similar channels. They must be heading in the same direction, trying to achieve the same things. Of course, there should be differences of opinion and encouragement of creative thinking, but to achieve a successful operation of the business there should not be differences in basic objectives among those who form the management of the enterprise. This includes top management as well as first line supervision.

Two Examples

Maj. Gen. Clinton F. Robinson, President of The Carborundum Company, referred to his company's concept of planning before the American Management Association's General Management Conference in June, 1953.[1] He stated, in part:

> "A couple of years ago we asked ourselves this question in The Carborundum Company: 'What are we trying to do?' One of the obvious answers, of course, was that we were trying to make money. But some of us were not satisfied with that answer. We asked a lot of other questions: 'How are we trying to make money? In what fields are we trying to make money? How are we trying to do it? With what products? In what markets? What do we want to get into that we are not in now?' and then, 'What are we going to do with the money after we make it?' and similar questions.
>
> "The result of all this was that we drew up a brief statement of what we call the 'Primary Purpose and General Objectives' of the company. It was thoroughly considered by our

[1] *AMA General Management Series No.* 167.

Board of Directors and approved by them. I might say that it is the general policy of the company, except that it is, I believe, a lot more specific than what is ordinarily implied by the term 'general policy.'

"That was the first step we took in trying to control our own fate. The second step was to embark upon a system of programming . . ."

Here is a quotation from Mr. John E. Bassill, President, American Enka Corporation, from his interesting article entitled "Blueprints for Presidents", which appeared in the May, 1952 issue of *Dun's Review*.

"A corporate president has a responsibility to his directors and associates to tell them his philosophy of management. If accepted by them as sound, it establishes a pattern of thinking for the entire organization and facilitates a unified approach as to how the company should be managed. Following this, basic corporate goals, company policy, and near and long-term programs and projects must be established.

"These things are important. At a recent American Management Association seminar in New York on top management planning, at which one of my associates was discussion leader, a group of top company executives gave priority to discussion of management philosophy and basic corporate goals. In their judgment, the direction of an organization's thinking and its basic policies and objectives could not be fixed without an underlying philosophy of management.

"It appears that more companies are setting forth their management philosophies in writing and I believe this is a very constructive move. We have attempted to do this at American Enka because I feel it is one of the president's principal duties to let his organization know what he thinks and what he stands for.

"Merely stating a philosophy of management is not sufficient. The president should give his associates an opportunity to say what they think about it openly and frankly in the hope of gaining acceptance. Obviously, no company can operate successfully under several different concepts of the rôle of management.

"While management philosophy is a somewhat personal thing, there are at least two major schools of thought on how to manage a company. One emphasizes thinking at the top by one man or a small group of men; the other encourages the combined intelligence and initiative of the entire organization.

"The management philosophy of American Enka Corporation sets forth four basic goals. They are:

1. To maintain a high level of executive and employee morale.
2. To be the best managed company in the industry.
3. To be the most highly respected company in the industry.
4. To be the most successful in relation to profit potential.

"How well we succeed in reaching these goals is for others to judge. What we are interested in is always striving to attain them."

In a booklet entitled "American Enka's Management Philosophy", eighteen pages follow the statement of the four basic goals to outline how American Enka intends to accomplish each one of them. The goals are interpreted for practical and realistic application. Definite programs are spelled out, and regularly reviewed, using these basic objectives as a point of reference.

What Should a Statement of Management Philosophy Determine?

A statement of management philosophy spells out the attitudes taken by the chief executive, either consciously or unconsciously, in organizing his responsibilities and in directing his subordinates.

1. It serves as the *foundation of the plan of management.* It precedes the establishment of clear policies and sound organization.
2. It serves as the basis for the *initiation* and *coordination* of all company activities.
3. It determines the *reason* for the management techniques and procedures used in the company.
4. It contributes to the establishment of a specific *management climate.* It clarifies the type of relations that should exist between the various executives and supervisors, their subordinates, associates, and superiors.
5. It clarifies the *attitude* of the management towards the owners, employees, customers, and suppliers of the company.
6. It should clearly answer the question, *"Why are we in business?"*

One very practical value of a clear statement of the chief executive's philosophy of management is that it clarifies the pace that is set for the management of the enterprise. It determines the emphasis that is to be placed on the various management techniques so that they will be welded together to form a meaningful and balanced management program.

Unanimity of Attitude

Department heads may even find it worthwhile to clarify their thinking and thus their subordinates' knowledge by preparing a statement indicating their attitude towards their management function. If, of course, there is a basic difference between the philosophies of management of a superior and a subordinate, difficulties will frequently arise. Usually this divergency can be straightened out, but in some unfortunate instances this difference in basic thinking cannot be reconciled and may require personnel replacement to secure a unified approach to and recognition of what the company is trying to accomplish.

The basic attitude towards management, and towards subdivisions of the management function (sales management, personnel management, production management, and financial management), must be consistent with the chief executive's point of view, whether or not that point of view is considered to be "correct" by any individual in the company. For instance, there is not much sense in the vice-president having a modern outlook on the problems and techniques of management if his president, the directors, or the chairman create an acrimonious and contentious climate in which his efforts at practising sound management techniques are confounded. Lack of integration of attitudes of the management is confusing and unsatisfying for all concerned.

As previously pointed out, however, in no way should the desire to secure a recognition and acceptance of the chief executive's management philosophy frustrate individual initiative or the creative thinking necessary to look for improvements constantly in all phases of company operations. The statement of the chief executive's management philosophy is not, in well managed companies, an attempt to build a group of "yes men" reporting to the president.

A statement of management philosophy clarifies the chief executive's objectives in managing the enterprise so that his executives and supervisors will approach their own management tasks in a manner that is consistent with the general objectives of the company. Employees must see the relationship between their tasks and these objectives, as well as the place of their work in the final product towards which they have contributed. In short, everyone must understand the meaning and relativity of their individual functions. Management action must be consistent throughout the organization.

There are those who insist that it is foolish to worry about the integration of the foremen and lower ranking executives with the overall programs and objectives of the company. However, those who have unleashed the enthusiastic and spontaneous response of all supervisors and foremen, salesmen and workers, in such a way that they *want* to do a

good job because they identify themselves with the objectives of the enterprise, know that this is the only real way of perpetuating the good performance of capable persons.

The written statement of basic company objectives should be submitted to earnest and frank discussion by executives and supervisors. Even skilfully led discussion groups of employees will be beneficial. Once we have individuals thinking about "Why we are in business" and we are prepared to listen to points of view differing from our own, we are well on the way to having an integrated and wholesome outlook on our business and its obligations.

A statement of management philosophy, then, should be the first step in achieving the integration of healthy employee attitudes towards our company. We cannot, of course, erase ill will and bitterness, if it exists, by preparing a statement of company creed. However, if management will think out and then write down its basic objectives in operating the enterprise, and then plan and carry out programs to reach these objectives, time and performance will help to create a helpful mutual understanding — providing, of course, that this philosophy expresses good thinking.

This case may be illustrative:

Gizmick Incorporated

Gizmick Incorporated was a company of 450 employees manufacturing and selling high quality plumbing fixtures. The president and other officers were qualified and effective managers.

Mr. A, president, employed a management consultant to make an extensive survey to assure himself that Gizmick was making full use of all its profit potentials. The findings of the consultant indicated that the company was ostensibly well managed, but that three departments were considerably over-staffed, one department head was operating almost independently of company policy and, in some actual circumstances, clandestinely disregarding directives of the management, no planned effort was being made to develop persons for advancement or to improve their present performance, there was no clear structure of individual responsibility, and there was no planned attempt to review and improve present methods.

The report of the consultant indicated that the management would be kept occupied putting out these fires that had ignited, almost imperceptibly, over a long period of time.

Mr. A wisely decided that instead of extinguishing them individually, some approach must be taken to prevent them from igniting in the future. He also wanted some means of indicating quickly when and where weakness and ineffectiveness might creep into the management of his company.

He realized that he must arrive at some basic premises by which he and his associates and all levels of management might better see and accept the overall implications and obligations of their functions. Many of his subordinates, he believed, acted as if their jobs existed by means of some divine influence, rather than because the company fulfilled a need for good quality plumbing fixtures for which many persons — the customers — were willing to pay the price required. Although he was sure that the members of his staff would acknowledge their belief in the "free enterprise system", Mr. A began to feel that many persons holding positions of management in his company really believed that funds paid out as dividends to the shareholders might more legitimately be used as bonuses or higher salaries for themselves. Also, he knew that some of his supervisors treated their subordinates as pieces of expendable machinery.

For these reasons, Mr. A felt that a clarification of his own attitude and the company obligations towards the owners, employees, suppliers, and customers of his company, as well as towards the public and the community generally, would be required if those in his organization were to carry out their tasks more meaningfully and more effectively. He wanted to discuss his attitude, his philosophy of management, with his executives and supervisors. He wanted to instill in them some sense of loyalty to the purposes of the company to overcome the emphasis that seemed to be placed on departmental and personal interests.

He found that possibly he had, unknowingly, been frustrating the effective performance of his personnel by (1) not clarifying for each of his subordinates what the company was trying to accomplish in terms of its responsibilities to parties vitally concerned with Gizmick, and (2) not trying to fit into this overall responsibility the individual functions of management, wherever they might be, in such a way that each of his staff recognized and accepted the part he must play in reaching the objectives of the company.

Clarification of the company's basic purposes and objectives in a statement which he called "The Management Philosophy of Gizmick Incorporated" was Mr. A's first step to improve this situation. He talked it over with his directors. Then he consulted his subordinates and laid down objectives for sales, production, research, personnel, and other departments as well as company-wide programs. These helped to fulfill the large overall

goals which he had set out in his management philosophy. Mr. A was now prepared to insist that the management of his company and its various departments follow a clarified and defined pattern of thinking. He enlisted the minds as well as the hands of all his management in setting up these company goals and in endeavouring to achieve them.

Slowly these improvements began to evolve: (1) a better understanding of company policy on the part of those concerned, (2) clarification of each person's job, (3) development of a planned program for increasing the effectiveness of each executive, supervisor, and foreman, as well as for reviewing and improving methods of selecting and training office and factory workers, (4) initiation of a periodic review and analysis of the complete product line in an endeavour to improve the products and reduce costs, (5) an improved understanding on the part of company personnel of the necessity for improved customer service and satisfaction, (6) a planned analysis of duties, methods, procedures, and policies and their contributions to the fulfillment of company objectives, (7) recognition on the part of Mr. A of the importance of encouraging the improved performance of *each person* in his company, (8) improved morale, because even the first line supervision began to see their functions in relation to the larger company objectives, and (9) an improved awareness of the true function of management.

It is not surprising that the result was improved profits!

Emphasis on Responsibility

Too often supervisors and foremen are so far removed from the problems of competitive markets that they overlook the fact that they would not keep their jobs long if it were not for satisfied customers and the low costs which permit competitive prices. The customer appears to be something quite apart from the company and their particular jobs. Let us be sure that we and our foremen understand our responsibilities towards those who keep us in business, towards those who assure us of employment — our customers; towards those who have made our jobs possible — our owners and shareholders; towards those who keep the wheels going — our employees. We must always recognize the necessity for improving methods and reducing costs so that we can *stay* in business.

Also, public influence, through legislation and by other means, has made management aware of the importance of maintaining the goodwill of the citizens of the country in general and of the community in particular. The public is becoming increasingly concerned with management motives. Management — on behalf of the company — also has an obligation to the public.

It is the clear statement of these obligations that forms the president's philosophy of management.

The Need for Clear Statements of Philosophy

In the American Management Association's *General Management Series No. 156,* Mr. Curtis Gager, Vice-President of General Foods Corporation, is quoted as saying:

> "There is no escaping the need for better leadership, founded on a considered and unmistakable philosophy of management. Ideally, in every organization, it should be stated in precise terms for everyone to see.
>
> "The employee especially wants to know — needs to feel — that his management has some sort of code against which to square its policy and its actions. . . .
>
> "And a body of convictions — a written statement of guiding principles — will help the manager also to achieve his company's aims and to discharge his responsibilities."

Considering the influence that managers in all spheres of activity exert over countless numbers of human beings, does it not seem desirable for managers individually to clarify their objectives and motives?

At the General Management Conference of the American Management Association in January, 1952, Mr. James B. Du Prau, Vice-President, Administration, and Assistant to the President, Columbia-Geneva Steel Division, United States Steel Company, made this pertinent comment:

> "Presidents are sometimes reluctant to get down to the actual spelling out of policies, management philosophy, and responsibilities, yet a clear understanding of responsibility and authority is essential if the various parts of the organization are to work harmoniously toward the same goal. The exact extent to which these things are committed to writing is not as important as the promotion of their clear understanding and acceptance from top to bottom of the organization."[1]

If the philosophy of the management is to be promoted and promulgated within the organization, it is probably reasonable to assume that it must be thoughtfully prepared and also clarified in writing as a preliminary step. There can be little doubt, however, that adequately communicating the philosophy of the management to assure its daily application and to secure a unity of thinking and approach to the direction of the enterprise is most important.

After preparing the statement of the management's philosophy it is necessary to communicate it effectively within the company to secure an

[1] *AMA General Management Series No. 155.*

integration of basic thinking towards management by all the executives and supervisors, not just towards production management, nor sales management, but towards the basic principles and thinking underlying the direction of the corporate enterprise. Communication is a time consuming but important task.

Mr. Virgil K. Rowland, Personnel Assistant to the Secretary, Detroit Edison Company, Detroit, Michigan, refers to this important point in these words:

> "There is a third consideration within the over-all framework of basic philosophy: the top man has to be articulate with the philosophy. He must be able to explain it, make it known to others and understood by them. . . .
>
> "When the top man has made his philosophy known to his subordinates, and, further, as he continues to expand their understanding with each daily contact, it is not too many months before his entire management staff recognize that this is a method of operation he expects them to follow. He expects them to follow it because *he* practises it and demands it."[1]

How to Write a Philosophy of Management

Anything that cannot be written has not been well thought out. To express the chief executive's philosophy of management in writing requires a significant amount of time and effort. It is not an easy task. It takes some real courage.

As in so many cases where management is interested in tackling something new, one of the first things that sometimes comes to mind is to find out what somebody else is doing. That is fine, of course, but in many cases an effort is made to save time and trouble by "system buying", that is, by taking somebody else's method or technique and putting it into operation elsewhere without sufficient regard for individual company characteristics. This case may be illustrative:

The Case of the XYZ Corporation

Mr. B was the president of this company, which was engaged in making and selling machine fittings. Six hundred persons were employed in the plant, and fifty were employed on the sales staff.

Mr. B became interested in what one of his contemporaries was attempting to do regarding the preparation of a "company creed". He assigned one of his staff to prepare a statement of management philosophy. The staff man did a fine job. A few weeks later a neatly typed,

[1] *AMA General Management Series No. 166.*

well-worded, impressive, fifteen-page document was placed on Mr. B's desk. The job was done, and the chief liked it. He was satisfied because the preparation of this statement seemed to be the thing to do, although he would have admitted to himself that he was rather dubious of why.

Parts of the document were duplicated for bulletin board notices, which furnished communication among company executives, supervisors, and employees. There was one statement that caught the interest of some employees:

> "Realizing that the most important asset of the XYZ Corporation is the persons in its employ, every individual must be developed to his fullest potential so that he is given an opportunity to lead a creative and satisfying life during his days of work as part of the XYZ family."

Some thought that Mr. B had turned over a new leaf. Some just didn't understand the statement. Others thought it was just so much nonsense. Nobody was too surprised, however, to find that things still went along in the usual way. As a matter of fact, shortly after the statement had been posted one of the foremen watched a new piece of equipment being unloaded in his department. He found out from the label on the crate that it was a new punch press. After contacting his supervisor to find out where it was supposed to go, he was advised that the president had felt that the capacity of his department should be expanded because production was falling behind schedule. The new press, which was to be installed in the north-west corner near the elevator, was expected to bring his department's production up to the necessary standard.

For some time, the foreman, too, had been worried about his production schedule. After reviewing the flow of work in his department, he was nearly ready to suggest that one bank of machines be moved closer to the end of the assembly line and that improved storage facilities for tools and materials be installed. He was sure that production would be maintained if some of the excessive back-tracking and waiting for materials were eliminated and that more than the price of the new press could easily be saved. Nevertheless, the only thing on his mind now had to be to get the new press up as quickly as possible. He couldn't help but wonder, however, just what Mr. B had meant by his policy statement that "every individual must be developed to his fullest potential so that he is given an opportunity to lead a creative and satisfying life during his days of work as part of the XYZ family." Why hadn't he been consulted before the new press was purchased? Of course, he didn't put this question to the president because he knew from past experiences that he would likely get an answer something like this:

> "I'm responsible for this business, and if I feel that we need a new press then that's all you need to worry about. Incidentally, who's running this business anyhow? You've certainly got a lot of nerve to come in here and tell me that I should have asked *you* what to do."

Mr. B's stated philosophy was an obvious fallacy. It provided him with a "comfortable self-deception".

This case is typical of many management policy statements. They often indicate to outsiders who read such statements that the company is "well managed". They are impressive to read, but the performance of the management — executives and supervisors — decries their truth. They look good in print, but they are not backed up by action.

A middle-management executive of one company at a recent discussion group said:

> "My boss is pretty well known for his speeches and articles on what good management means. He's possibly sincere enough, but I only wish he would try to dig a little deeper into this company to find out what really goes on here. I wish he could see some of the things that happen as they look through our eyes instead of just through his own. I think the change of vision would do him, the rest of us, and the company, a lot of good."

Of course, top management is not the only party guilty of making fine statements about the "XYZ family" or "my boys at the plant" and of failing to interpret such altruistic views in their own performance. The day-to-day working relationships, actions, and responses of all executives are much more significant than anything they can write or say. It is dangerous to undertake programs of education and communication of company management philosophy unless the executives, supervisors, foremen, and workers see the facts which are presented to them demonstrated in their own daily work experiences.

It is helpful, as well as interesting, to read and study the philosophies of such companies as the American Enka Corporation, American Brake Shoe Company, Perfect Circle Corporation, and other well known or lesser known organizations who have put their respective attitudes towards the function of management in black and white. Although it was in order for the president of the XYZ Corporation to do some research and preliminary preparation of his philosophy of management with the help of one of his staff, what Mr. B ended up with was not a statement of his own beliefs, but a distillation of the points of view of others. This had little meaning.

When management decides to clarify what it feels are its basic responsibilities in running an enterprise, its code of ethics for administration, it might be wise to have various groups of supervisors and executives decide upon the functions of management in an open discussion group. In other words, as managers, what underlying principles should they follow? If a report of such a discussion were forwarded to the chief executive he might be surprised at the interesting and diverse remarks made. In the final analysis, however, the statement of a company creed of management must reflect the beliefs of the individual who is responsible for the management of the company — the chief executive.

If we agree that such a statement must reflect the chief executive's point of view, we must assume that he is prepared to do some thinking as a preliminary step. He must be prepared to deal with some problems of an abstract and abstruse nature. The chief executive's statement of management philosophy must be based, obviously, on his own personal attitudes, and if he hasn't done some thinking and arrived at some sort of philosophy, or set of values, for guiding his own life, then he would be well advised not to bother to prepare a statement to be used in guiding the direction of his company.

If the chief executive is to decide his attitudes towards management so that he may clarify his basic policies and objectives, he must decide for himself what he expects from life and from his work. He should then wonder whether what he expects in terms of satisfaction from his job and life generally are not what other persons — his employees — also expect.

Probably most chief executives are in a position to find real satisfaction in their daily work. Is there any reason why this satisfaction should be the monopoly of the chief executive? Is there any reason why the chief executive, or a few of his close associates, should be the only ones who identify themselves so closely with the enterprise that they devote much time to thinking and planning on as well as off the job? We sometimes regret that "people just don't work as they used to". People will still work if they want to. What is lacking is sufficient reason for many of our employees, executives as well as factory workers, to "want to". Motivation of personnel must become more important to top management. Should not a statement of management philosophy, then, be based on the real value the chief executive places on people? Perhaps we are getting back to the glassy-eyed attitude of a philosopher rather than trying to adopt the practical point of view necessary in administrating business.

Mr. H. E. Humphreys, Jr., prominent American executive, expressed the following sentiment under the title of "Management's Responsibilities and Attitudes" at the 1951 Southern Industrial Relations Conference:

"But the business manager who makes his daily decisions with people's human rights in mind will usually find himself on the course that leads directly to profits. . . .

"Our objective, in each case, must be a selfless one — one of helping each individual to realize his full potential as a human being."

The Practical Aspect of Philosophy

Dr. Harry Emerson Fosdick, in his book, *On Being a Real Person,*[1] refers to the necessity for "an invisible means of support". Surely, if anyone needed such invisible "leverage" with which to overcome problems and disappointments, envy and jealousy, bitterness and acrimony, deceit and contention, it is the business executive. Maybe this is one of the things we mean when we say that a potential general management executive should have a "good character". On the other hand, perhaps we have not bothered to identify this quality sufficiently. One of the practical aspects of a reinforcing personal philosophy is that it should give an executive the courage to consult, to think, to make a decision, and to take the consequences. As another writer has said: "Character, no less than brains, is essential in building an enduring, hard-hitting organization."[2] The real personality, motives, and objectives of the chief executive establish the character of the corporation.

Much is said about the growth of socialistic and communistic influences in public circles in general and in labour circles in particular. Possibly if managements were to clarify their positions more clearly much good would result.

Mr. Abram T. Collier, Second Vice-President, John Hancock Mutual Life Insurance Company, under the title of "Business Leadership and a Creative Society", in the January-February, 1953, issue of the *Harvard Business Review,* expresses this opinion:

"The moral of this fact has not been lost on businessmen and statesmen, who know that the only real and lasting bulwark against Marxism is in the experience of the large body of our workers and our citizens. If that experience is basically creative and satisfying — and it is management's task to see that it is so—the stultifying conformities of the Socialist state will always be bitter to their taste.

". . . What workers do appear to want is a chance to increase their usefulness and creativeness, a chance to develop their

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[1]Harper & Brothers.

[2]J. Elliott Janney, in the article "Company Presidents Look at Themselves," published by the *Harvard Business Review,* Soldiers Field, Boston 63, Mass.

full potential as individuals within the scope of their environment and experience. *It has become part of management's function to see not only that they have that chance but that the philosophy behind it is made more articulate."*[1]

Mr. Lawrence Appley, president of the American Management Association, has expressed his philosophy of management by this statement: "Management is not the direction of things, it is the development of people."[2] If a chief executive *believes* that management is the development of people — executive people, clerical people, plant people, sales people — then he must be conscious of his responsibility for encouraging such development. His words will be empty and meaningless unless he does something about it. He must also take steps to insure that his subordinates are likewise manifesting this philosophy in their own daily relations with their subordinates.

A philosophy of management, to be worth anything, must be put into practice through a planned program.

To be practical, the statement of the management philosophy of the chief executive must express his attitudes, which should be reflected in his actions. It must express, either in supplementary policies and programs or in the basic statement itself, the way in which these principles can be put into practice.

Conclusion

There is a need — although often unrecognized — for a clear statement from the chief executive expressing his philosophy of management.

A statement of basic policy — management philosophy, if you will — must be *used* to be *useful.* It must not contain sweet phrases of unrealistic objectives. It must be followed by descriptions of projects and techniques of a specific nature. These descriptions will outline the management program through which the chief executive intends to effect the direction of his company. It will serve to maintain the necessary balance to assure that the management techniques have meaning and are related to one another so that the company's objectives, and not departmental or personal objectives, are pursued.

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[1]Underlining by the present writer.

[2]Mr. William B. Given, Jr., Chairman of the Board of the American Brake Shoe Company, discussed his philosophy of management in his article "Reaching Out in Management," which appeared in the March-April issue of the *Harvard Business Review.* Mr. Given said, in part: "It seems to me that, if we are to give our companies any permanence in today's fast and violently changing world, such an emphasis on the development of people is a continuing, indeed a growing, necessity."

Like the rest of the personnel, the chief executive must also subordinate himself to the stated company objectives. He must share the responsibilities to which he expects others to subscribe. It is his example, rather than his words, that are likely to be copied.

The statement of management philosophy must be reviewed continually and changed when necessary so that its significance is felt in each activity of the company.

Whether or not it is prepared in writing, the real philosophy of the chief executive will affect, either positively or negatively, the interpersonal relations, the management climate, and the profit of his organization. To be understood and clarified, it should be in writing. The written statement must be communicated to and accepted as a personal obligation by all levels of management.

It is a *fact* that the preparation of a company management philosophy can be a practical way to lay the track and clarify the direction for an organization that wants to be sure it is on the road to efficiency and profits.

Personnel Recruiting on the Campus

N. M. Armstrong

How are administrative posts being filled today, and in what way can universities and employers cooperate to fill them most effectively?

Mr. Armstrong demonstrates the problem of executive replacement and describes a possible avenue of solution in university recruiting. His discussion of the universities' part in employment programs and his suggestions concerning the use of these programs by company officials are based on his experience as Placement Officer at Western's School of Business Administration.

The lifeblood of any business organization is its management group. Whether a company prospers, moves ahead of its competition, or succumbs to it depends largely upon the decisions of this group. Over the years the greatest cause for failure in business has been poor management. It is then of first importance for present managements to to harbour, improve, and perpetuate their own groups.

Many businesses have established excellent plans for executive training and development which make the best possible use of the human and physical resources available. University training courses are proving invaluable aids in providing men with potential ability to assume increasing responsibility. However, no management group can be better than the raw material from which it originates, and businessmen are becoming increasingly aware that in selecting this raw material, they must seek some assurance that these people will provide the best returns in executive performance.

Sources of Executive Replacements

The universities have not always been looked upon as a valuable source of raw material by management. Canadian employers, as in other things, were slower than American to come to the colleges for men. It was not too long ago that a twenty-one-year-old gold medalist in Business at Western was told that he was too old to start on a career in commercial banking. One young man who missed the gold medal by a fraction of a point lost out in competition for a job as managerial assistant in a medium-sized firm. His competitor had little formal training. The boy who missed the job has been making over $25,000 a year for several years now.

The case for hiring college-trained men does cause some headaches. Some college men have lacked taste in their relations with non-college associates. Others have been impatient when promotions have not come along as quickly as they had expected. In some cases they have been placed in situations beyond their depth and have not worked out well on the job. The firms which have carefully thought through the problems involved in developing college men have benefited most from them. The universities, too, are beginning to face up to the program.

The majority of today's Canadian managers earned their place in their respective organizations by starting at the bottom in the ranks of factory labour or office workers. This approach has endured to the point that managements have found themselves starved of good men, partly because they have not taken enough care in developing managers from the ranks and partly because there was not enough material there with which to work. This unhealthy condition has led management away from the philosophy that gradual internal promotion is the most effective source of replacement, and although self-education is not in any way discounted, there is a trend away from reliance upon it alone.

Many firms have been confronted during the past ten years with the almost impossible job of finding men to assume front- or second-line business responsibility. During the depression little or nothing was done to develop people for executive responsibility. One of our largest firms is reputed to have lost every good prospect for managerial responsibility. These above-average people were so discouraged with their prospects that they left for other fields. The war made it impossible to employ young men who could eventually fill executive posts. The present shortage of trained executives in most companies is not surprising.

In recent years the intense search for capable additions at the executive level has generated much competition. Managements have offered exorbitant salaries to entice personnel employed elsewhere to join them. This policy has led to unrest in most companies which did not have well administered salary plans, as new men might enter such organizations at salaries greater than those of employees outranking them. Most companies have become wary of this procedure and have ceased to depend upon it as an important source of potential.

Not long ago a representative cross-section of Canada's leading businessmen meeting at the University of Western Ontario expressed the belief that this country's need for capable administrators could be met in large part by an adequate supply of young men college-trained for business. This group and University authorities together agreed that the Department of Business Administration should be expanded

to a School of Business Administration. Similar institutions across the Dominion also provide an opportunity for young men to prepare themselves for responsibilities in the business world.

It would seem then that industry and education are now working together to produce the men Canada needs to manage her half of the twentieth century. The final process which completes the cycle is the effective placement of these graduates in suitable positions and appropriate industries. This is an area which all universities and companies have realized with increasing interest is all important.

The Value of a Sound Recruiting Program

For the past eight years it has become fairly common practice for companies to send representatives to the universities to meet the graduates and to employ large numbers of them. At times this process was far from orderly and did justice to neither the employers nor the students. Because of shortages of technical specialists, employers wildly outbid each other for the services of graduates sight unseen. This period has now passed except in a few fields, and recruiting for those is now conducted on a much saner basis. A balance is returning to the executive employment market, and employers are looking at college recruitment with a more orderly philosophy than was formerly held, and with a longer run policy in mind.

It is now generally accepted that much planning on the company's part must be accomplished before any overt act of hiring takes place. If employers are to offer long range employment, they must make a searching analysis of manpower requirements with due respect to turnover, mortality, retirements, and programmed promotions.. They must examine their firm's training programs and be prepared to outline future opportunities for prospective employees.

Since employers are obviously devoting a large amount of energy towards the proper placement of college graduates, it may well be helpful to examine the techniques of a good employment program in action at Western's School of Business Administration.

The Function of the Placement Officer

Most universities have a full- or part-time placement officer whose function is to coordinate the desires of employers and students and to maintain good relationships among students, professors, and employers.

The placement officer can be very helpful to a company planning a specific recruiting program. As soon as company officials decide they need a graduate, they should inform the placement officer, providing a description of the position which is available. To streamline and give uniformity to this information the university officer may ask

the employer to fill out a job opportunity form and will assign an interviewing date. The completed form provides a brief outline of details of the company's location, products, distribution, etc., information on its training plan, the specific job opening, salary range, if desirable, etc. By examining the completed form, which is posted on the placement bulletin board, the student is able to determine whether he wants to follow up the employment offer and meet the company's representatives. If he wishes to do so, he makes an appointment.

Providing Information About the Company

The University official also requests certain information. A library of company placement information is maintained and is open to the students at all times. This library contains annual reports, company brochures covering history, products, etc., samples of the house organ, employee hand-books, and pamphlets on career opportunities.

Many companies provide an especially prepared memorandum discussing items of interest to graduates. Areas that might be covered in such a presentation include industry information, history and organization, company position and growth in the industry, products and services, plant and manufacturing facilities, markets, and distribution program, including sales outlets, sales methods, advertising, etc. A special section addressed to students of the particular school in question, describing job opportunities, training programs, and prospects for advancement is very much in the company's interests. An easy way to handle this is to cite an example of a former graduate now well on the way to success, tracing his progress and outlining his background. Such a story will illustrate the kind of man for whom the employer is searching.

This outline or brief is especially helpful when the student is confronted with a number of interviews and hasn't the time to investigate thoroughly all the sources available to him. Last year each student participating in the placement program at the School had an average of six interviews within a relatively short period of time. Those who paint a clear and honest picture of their companies and the positions open within them and who see that the students receive this information well before interviewing begins will hold a competitive edge over employers who are less enthusiastic.

Publicity

The placement office sees that the necessary information about all opportunities is posted in plenty of time for the students to examine it. Announcements are made to the appropriate classes and in the school's press. Copies of the company's literature are distributed and are placed in the library.

The Interview Schedule

After the opportunity form has been on the board an allotted time, the placement officer removes it and prepares an interview schedule from the list of students' signatures. Every effort is made to have all those interested see the interviewer. If there are more than can possibly be handled, the placement officer, with the company's permission, interviews the students and screens them with regard to field of interest, background experience, enthusiasm for the company, etc. Every effort is made to make sure that everyone taking the final interview has a genuine interest in the position.

Interviews are scheduled at fifteen, twenty, or thirty minute intervals depending upon the demands of the schedule and wishes of the interviewer. In general the twenty minute interview has been most effective.

The company representative receives this schedule, his expected time of arrival, and wherever possible, advance information on the applicants.

Procedure at the School

The placement officer meets the representative when he arrives at the school, assigns him a special interviewing room adjacent to the placement office, provides his schedule, along with the personal employment resumés of the interviewees. The visitor has a short time to examine the resumés before his first interview. These resumés are prepared by the students and outline all the information normally found on application forms. A properly composed resumé often tells a more complete and coherent story for interviewing purposes than does the application form. It may well take the place of the application form until after the interview, when those men who are still definitely interested in the company and whom the company may wish to hire may be given one.

It is most important that the representative arrive at the School before his appointed hour and that he adhere rigidly to his interview schedule. Last year at this School alone over seven hundred interviews were carried out in less than fifty days — an average of over fourteen interviews daily. The close timing necessary to have students meet their class requirements in the most important term of their academic careers makes any deviation impossible. The placement officer will do all in his power to help the representative see certain people at certain times, if he so wishes, and to make his visit pleasant and worthwhile.

Group Meetings

The experience at the School has been such that group meetings are generally discouraged. Tight class schedules of seniors and graduate

students create inevitable conflicts, and attendance at such meetings cannot be considered a valid excuse for absence. Meetings in the evenings or early mornings have not proved very convenient for representatives or attractive to students. If the company literature is adequate, its thorough study by the interested students should be able to replace group meetings.

Meeting the Faculty

Every opportunity is given the company representative to meet the Dean and members of the faculty. He is their luncheon guest at the School. During this period and after the day's interviewing is done, he may discuss the personal traits and academic standing of the students he has met with the Dean and placement officer. However, such comparisons should be made only *after* the interviews.

Steps Before the Interview

We have observed a large number of interviews and their results. In our experience the following procedures have seemed most effective:

As outlined above, it is most important that company employers make a favourable contact with the prospective employee before meeting him. Such a preliminary introduction may convince him that their offer is sound and valuable. Company brochures should be kept as brief and readable as possible. They should be available to the students well before the interview and should never be used as reading material during it. Thus the interviewer may devote a major portion of the interview time to its proper purpose.

It is one of the School's main objectives, insofar as employment is concerned, to promote summer employment with a definite view to permanent employment after graduation. This policy provides a chance for mutual examination on the part of the student and the company. A student's summer jobs should, if possible, have some bearing on his academic program and should be meaningful. Too often an enthusiastic employer has lost a good employee and good reputation among the student body by lack of sufficient follow-up on student summer help.

The Selection of Company Representatives

The job interview is an art practised by both the student and the employer. For the student it offers a chance to learn about the company and its policies and to sell himself. For him it must necessarily be a poorly developed art at best for he has few opportunities to practise it. He needs the help of an experienced, well-trained interviewer who can put him at his ease in order that he may show his real self.

The representative is, therefore, a very important person. In most cases the student will form an opinion of the company on the basis of who he is and how he acts. It is this first impression that is important; it is, indeed, the largest factor in the student's decision to follow up any subsequent offer or ignore it.

The interviewer should be selected with extreme care. He should, as do most of the men we see, represent his company at a level high enough that he can speak with authority about the whole organization. A good many of the men coming to our campus are vice-presidents and general managers. One particularly enlightened company sends one of its top executives to do the actual interviewing, while a graduate of recent years talks to any applicants interested in seeing him. In this way the student is able to learn of an overall plan for his future from one of the men controlling it and also to discuss the struggles, frustrations, satisfactions, and rewards which may be expected in the first few years. This simple plan has paid off handsomely for the employer. This visit is eagerly anticipated each year by the graduating class.

Because the student and interviewer are strangers they must establish rapport. The skilled interviewer can do this in a very few minutes if he is alone with his prospect. If, however, a team of two or more is interviewing the student, the effectiveness of the time spent drops appreciably. If from the company point of view the team is more effective, the student may see its members successively to better advantage.

The Interview Itself

Actual interviewing technique is a subject beyond the scope of this article. Needless to say, however, the interview itself is of utmost significance.

Post-Interview Relations

One of the most persistent questions we hear from the students and one which we are often unable to answer is, "How did I do in the interview with X company?" It is good public relations on the employer's part to make his intentions clear as as quickly as possible to all the people he has seen. Whether he receives a rejection, an invitation to visit a plant, a request for a further interview, or a job offer, a man prefers to know where he stands. No one should conclude an interview by saying, "We will get in touch with you if we are interested."

A tactful rejection is direct and unequivocal, including reasons why the applicant is not acceptable. A company official, rather than the placement officer, should tell a man he didn't make the grade. Sometimes lengthy tests are given the applicant. If he is rejected, it seems only fair to give him an idea of how he fared on these tests.

It is not uncommon after a first screening to invite the most promising applicants to the company's office and plants. This invitation should be arranged through the placement office so that absence from the School will not interfere with classes. It is common practice for employers to reimburse the student for the cost of his trip in cash at the time of his visit. An early understanding should be reached regarding who will bear the costs so that no bad feelings will develop on such a minor score.

The visit should provide a chance for the student to see his place of work, to tour the plants and other offices of the company, to meet his co-workers and superiors in a social situation if possible, and in general to form an opinion of the company. His whole time should not be occupied by a round of interviews and special tests.

Job Offers

The job offer should be made within a reasonable time after the final interview, and a further reasonable time should be allowed for the student to consider it. A good many unwise decisions have been made under the pressure of an insistent employer. It becomes increasingly difficult for a student to make up his mind as he receives two or more offers. The overly insistent employer may find himself eliminated.

Employers should inform the placement officer of all offers and rejections. He can assist them by keeping in touch with each student and by helping him to make up his mind and conclude a definite agreement. He can keep misunderstandings out of the relationship between employers and prospective employees.

If a medical examination is a condition of employment, it should be carried out as soon as possible after the job offer and acceptance. If for some reason a student does not satisfy one firm's physical requirements, he will still be in a favourable position with regard to further offers.

The experience of several years ago at least teaches us a lesson. If Canadian business continues to expand as it has in the past few years, the same shortage of responsible business leaders may occur again. It would therefore be wise to see that the employment of potential leaders is keyed to this expansion.

The competition for good men from the graduating classes of our Canadian universities is keen. It is increasingly obvious that the company with the well-planned, well-executed recruiting campaign is going to corner the market. The universities are anxious to help solve mutual differences and problems, and their placement officers await employers' inquiries, requests, suggestions, and visits.

The Case of Clarence Fogarty

Members of the Faculty of Western's School of Business Administration are often asked to describe the case method of instruction used in their classes and frequently considered for use in industrial training programs. Because of this interest in the use of cases in instruction, the Editors feel that our readers will be interested in reading and perhaps thinking about a typical business case.

Business cases are factual, objective descriptions of actual business situations in which only the names of the company and the individuals and similar information have been disguised. A case is based upon an intense study of the company's background, interviews with company personnel, and study of pertinent records. The opinions of the case writer are carefully kept out of the case.

The cases are used in the classroom, not for the purpose of setting a precedent for dealing with a supposedly similar situation, but rather to stimulate the thinking and expression of the members of the class. They are used to stimulate actual experience in dealing with a wide range of business problems.

The "Case of Clarence Fogarty", which has been discussed in regular university classes and in a special course for Sales Managers in Huntington, Quebec, illustrates a practical problem in getting things done through people. We hope it will illustrate what a case is. Perhaps some of our readers will want to apply their own experience and skill to dealing with this problem.

LEWIS MEADAR INDUSTRIES LIMITED was a firm which manufactured and distributed a variety of equipment. The products handled fell into two natural subdivisions, and consequently the company operated two sales divisions. The Exchange Division sold a highly technical product which required considerable engineering design, and its sales personnel required an engineering degree or its equivalent. The Meadar Division's products included one which had varied technically over a period of years. In addition, this division acted as a distributor for allied products which rounded out the line and permitted the company to provide their customers with most of their needs.

In the past three years both divisions of the company had increased their sales at a greater rate than even the upward trend of business would have indicated. This increase was due largely to intelligent planning, aggressive development, and promotion by the management. The phenomenal progress in the Exchange Division was attributed to the great potential for the product and to the fact that most of the management

time had been spent on its development. The progress in the Meadar Division was largely the result of the company's good name and the high quality of the products, which were superior to competitive offerings.

Shifts in Management

The start of this substantial growth occurred early in 1950 when several changes in the management personnel were made. At this time the sales organization was completely altered, and Mr. Bert Goss, a chemical engineer with business administration training, was installed as sales manager of the two divisions. Goss was a young man twenty-seven years of age with a real potential, despite a lack of experience in the sales field, and for a short period was the only person in the sales department. He rapidly proved himself a vigorous salesman with considerable ability.

Approximately three months later, Clarence Fogarty was hired by the general manager to assist Goss by taking over most of the details in the Meadar Division. Fogarty was about thirty years old, was a high school graduate, and had completed a one-year general business course after receiving his discharge from the Air Force. He had then spent four years with an oil company in a sales capacity which involved both office and outside work. The experience he had gained there was quite valuable, as the type of account with which he had dealt was very similar to those handled by the Meadar Division.

In succeeding months Mr. Goss devoted most of his time to the Exchange Division sales (also acting as the only sales representative) and of necessity neglected the Meadar sales. Mr. Fogarty began to assume more and more responsibility and to deal directly with the general manager, who held fairly close control over all operations because of the relative smallness of the company.

Despite the fact that Mr. Goss was well aware of the situation, his periods away from the office and his deep involvement in Exchange problems left him at a distinct disadvantage in controlling the situation. The result was an almost complete breakaway by Mr. Fogarty, who began signing papers as sales manager of the Meadar Division without receiving the title or function officially.

For the two-year period in which this situation was developing, Clarence Fogarty proved to be very diligent, often working late at the office or taking work home. In his devotion to his task, he became very well-informed technically about the products and assumed the role of an expert. His easy-going manner and ready wit appealed to many of the customers, and he was well received on his sales calls. He took less frequent trips than Mr. Goss, but very rarely came back empty-handed from them. It was generally considered that he could be a successful salesman.

Although he never really attained full management status during this period, there was ample opportunity to test his ability to accept responsibility. On one occasion, when a new catalogue was being prepared, he showed himself incapable of completing the job, and Mr. Goss had to take it over. Later, after Fogarty had been asked to supervise its publication, it was soon discovered that he had not ordered enough copies to cover the prospect list. His error caused some embarrassment and cost the company considerable money in additional printing charges. He generally worked in a disorganized manner and frequently caused confusion by overlooking or losing things. The general manager and his staff were seriously concerned when, on several occasions, influential people visiting the company found his aggressive manner obnoxious. On frequent occasions the general manager had to bring him to task concerning letters he had written which lacked tact and were almost rude.

Changes in the Meadar Division

By the spring of 1952 the Meadar Division was beginning to encounter keener competition, and trouble had arisen with an American supplier of one of its major lines. After much discussion the company discontinued its connection with this supplier and entered into a distributing agreement with another equally prominent American supplier. As a further step it obtained the right to manufacture the product in Canada on a royalty basis. The first supplier in turn entered into a similar agreement with another Canadian company, and it was obvious that Meadar would have to take aggressive marketing steps or lose its position in the field.

At that time Francis Bowen, a young mechanical engineer with postgraduate business administration training, was relieved of his duties in the engineering department and was assigned the task of evolving a marketing program which would allow Meadar to meet the competitive situation. Mr. Bowen, who was thirty years of age, had joined the company approximately nine months after Mr. Fogarty, and in the intervening time the two had become friends. During the study, Mr. Bowen drew heavily on Mr. Fogarty's experience in the field and received complete cooperation.

Until then the Meadar Division had distributed its products through jobbers and had had no direct sales representation (with the exception of Mr. Fogarty). The jobbers had not attempted to give complete advisory service in the past. The Meadar products were not extremely complicated technically, but the customers were not always competent in their use or aggressive in merchandising their products. With the adoption of the new American line, Meadar found it necessary to expand its sales force and place representatives in the field who were so thoroughly grounded in the business that they could offer a complete

service from guidance in the proper selection and operation of equipment to assistance in marketing programs. This project required highly skilled men. Each salesman, in fact, had to be able to do complete sales engineering analyses for his customers, offering help at both the production and sales levels. Individual sales could reach $30,000, and it was expected that a salesman's earnings would be, on the average, around $6,000 a year.

In view of the considerable load involved in initiating the new marketing program, it was decided that the Meadar and Exchange Divisions should be completely separated, each having its own sales manager. The general manager had not been devoting sufficient time to the Meadar Division, and with the demands of the Exchange Division increasing, it seemed unlikely that he would be able to allot more time to it. Consequently, the Meadar sales manager was to assume some of these functions, and was also to be involved in getting the new product into production.

New Meadar Appointments

While the study was in progress, the general manager was considering the appointment of the Meadar sales manager. In line with company policy to promote from within, he gave Clarence Fogarty first consideration. Although there was much to commend him, the general manager felt his weaknesses were such that he would be overmatched at the level at which he would have to operate. Further, he had neither the capacity nor the background to shoulder any responsibility for the production development. This latter difficulty was very real, because the company had many production problems to solve in connection with the new line.

The general manager, however, reasoned that Mr. Fogarty's past experience would be invaluable under the new circumstances and wanted to give him the opportunity of advancing with the growth of the division. Therefore, Mr. Fogarty was offered the sales supervisor position, in which he would be responsible for the service aspects and for handling the sales force. This in essence meant an increase in Mr. Fogarty's responsibilities and enhanced the demands on his abilities where he had the most strength. He was also to act as the company representative in a limited area around head office — a task which would make use of his sales ability and absorb approximately half his time. The whole situation was discussed with Mr. Fogarty, and he was sent to the American company for an extended training period. It was quite evident that, before leaving, Mr. Fogarty was very enthusiastic about the new arrangement and completely satisfied with his new responsibilities. In conversations with Mr. Bowen, he expressed the feeling that he had received a fine opportunity and a promotion.

To aid Mr. Fogarty in his sales coverage, the company was to supply him with an automobile, and he disposed of his own before leaving for training. With the money he received from this sale, he took his wife with him for the duration of his stay in the United States. He had taken spare jobs during the previous year to help meet the monthly payments on the car. When Mr. Fogarty returned, the marketing plans were taking shape and Mr. Bowen was to be appointed sales manager. Before taking this step, the general manager discussed the appointment with Mr. Fogarty, who in turn expressed complete agreement with the move.

Fogarty's Altered Attitude

Within two weeks of Mr. Fogarty's return the new appointments were announced officially, and since the salesmen had been recruited and were completing their training, the new program was put into operation quickly. In the next three months Mr. Fogarty's enthusiasm seemed to wear, and he became bitter and critical, although Francis Bowen worked with him and kept him completely informed. Wherever possible Mr. Bowen solicited his thoughts or decisions and used his contributions.

In the meantime Mr. Fogarty acted in an increasingly puzzling manner:

(1) He confined his work day to office hours and despite the fact that there was much to be done, he did not seem to extend himself. Mr. Bowen feared his lack of enthusiasm would affect the new sales force.

(2) He became critical of the general manager on occasions and voiced his opinion openly in front of sales personnel and other people. He also expressed concern that the general manager was constantly watching him and did not think he was doing his job.

(3) Shortly after the new program was in operation Mr. Fogarty announced that he was taking his holidays. Both the general manager and Mr. Bowen stressed the need for great effort on the part of all members of the firm at that phase of the program. However, he persisted in his desire to take time off at that time.

(4) On another occasion the general manager, Mr. Bowen, and Mr. Fogarty attended a trade convention in an American city in conjunction with the new American supplier. The purpose of the attendance of Meadar representatives was to iron out certain details in connection with the manufacturing agreement and problems encountered in the distribution of the new products. It was also an opportunity to help cement relations as the president and sales manager of the American company were both there. During this convention Mr. Fogarty constantly addressed the American company's president by a nickname, a privilege not indulged in by any others present.

One evening during the convention the American company entertained some of their customers in their hospitality suite. At one time the suite was deserted with the exception of Mr. Fogarty and two of the American representatives. Resting on the arm of a chair was a very expensive hat which Mr. Fogarty tried on and found fitted him. Since no one seemed to know who owned the hat, Mr. Fogarty took it to his room. Later, after an unsuccessful search for the hat by the customer, the general manager, and the American sales manager, the customer left in a very unhappy state of mind. Needless to add, the executives from the American company were concerned.

The truth was not discovered by the general manager until after his return to Canada. Questioned regarding the hat, Fogarty replied, "Anybody who can afford to buy such an expensive hat shouldn't miss it." The general manager told Mr. Fogarty that he must return the hat to the American company with an explanation of his own choosing so that it might be returned to its rightful owner. Two months later the hat had still not been returned.

(5) For most of this three-month period Mr. Fogarty neglected sales coverage in his area despite the need for rapid missionary coverage to acquaint the trade with the new program and its benefits. Discussions concerning the urgency of the situation did little to stimulate his effort.

Mr. Bowen was very disturbed by the situation, as he was making every effort to make Mr. Fogarty a key figure in the situation, and Fogarty's attitude was making it increasingly evident that he was doing more harm than good. Since there was a personal element in the problem involving the general manager, Mr. Bowen finally suggested that an informal talk between Mr. Fogarty and the general manager might be the answer to the problem.

Do Companies Follow Up on Advertising?

A Survey

Most Quarterly readers will agree that advertising is a powerful force in our modern production and distribution system, and, further, that its full effectiveness is realized most readily when all the elements within a firm combine to justify its claims. Behind this article lies a research project undertaken by some of the faculty members of the U.W.O. School of Business Administration in an attempt to provide an objective appraisal of company response to reader inquiries resulting from advertisements of consumer durable goods in magazines read by Canadians.

GOOD fishermen search carefully for appropriate fishing grounds, use enticing bait, and are adept at hooking their prey at the appropriate moment. Most are anxious to learn how they can improve their skill and hence increase their catch. Advertisers and their representatives are very much like fishermen; it is essential that they, too, depend on subtle leads and learn to "land" prospects dexterously. Neil H. Borden[1] observes that advertising "includes those activities by which visual or oral messages are addressed to the public for the purposes of informing them and influencing them either to buy merchandise or services or to act or be inclined favorably toward ideas, institutions, or persons featured". If his cork bobs, a good fisherman is quick to manipulate his hook and line. During the summer months we have attempted to determine the effectiveness with which some *businessmen* wield *their* rods and reels.

Orientation of the Investigation

The following analysis is based on actual records of advertiser and dealer response to one hundred and one mail inquiries concerning consumer durable goods advertised in magazines read by Canadians — *goods whose unit value merits special attention on the part of manufacturers to potential buyers* — and on a detailed consideration of the eighty-eight replies received. It was made with the realization that advertising is a vital and significant force in today's marketing organization and that every attempt should be to utilize its full potential power. To this end, the appraisal was objective rather than critical in approach, and inquiries were made in all sincerity by people who were in a position to buy

[1] *Advertising Text and Cases*, Neil H. Borden. Richard D. Irwin, Inc., Chicago. Page 3.

the advertised goods and who entertained a concrete interest in the products. It was accepted that advertisers themselves would be keenly interested in the survey because of the size of present-day budgets. Agencies, too, are always interested in what happens after advertisements are released to the various media. Finally, students at the school will be able to use the results of this investigation.

Survey Technique

The subjects of the inquiries lay in the consumer durable goods category and in the medium to high price bracket. They were mainly the products of Canadian manufacturers and were offered by Canadian distributors in most cases. The firms to which the inquiries were addressed and the middlemen serving them varied considerably in size. The advertisements they sponsored appeared in a fairly representative cross-section of Canadian publications and American magazines with overflow circulation in this country. Most of the advertisers volunteered in the advertising text to supply any additional information which the readers requested.

The companies should be fairly representative of their special industrial class. Although many firms may manufacture consumer durable goods in Canada, only the largest, selling their products to the public (as opposed to supplying other manufacturers, etc.), advertise in the leading consumer magazines. This sample included most of these large advertisers plus a few American companies whose advertisements reach Canadian magazine readers.

Similarly, the project participants were "typical". Two couples were newly married. Three others had recently moved to new homes. The homes of two other couples were in the final stages of construction. All were relatively young and lay in the middle or upper income class. Their propensity to buy consumer durable goods was, if anything, greater than average.

Participants in the project wrote longhand letters from their home addresses, not only asking for the literature or other material offered and enclosing clippings and coupons, but also posing specific questions concerning price, local dealers, and details about the products. Careful records were kept of company name, company category, advertising media, date of inquiry, date of reply, official replying, extent of information, form of reply, follow-up by advertiser and dealer, and details of interesting replies.

Results

Fifty-one responses were received within the first week. By the end of the second week, twenty-four additional replies had arrived. Another

thirteen came after two weeks had elapsed—two of these *after six weeks.* Both of these latter were personal letters from the manufacturers of relatively expensive products. Although one large firm relayed a message to its Canadian head office so quickly that it must have employed teletype facilities, many leading and seemingly well-organized companies procrastinated or completely ignored requests for information. Another letter which arrived twenty-six days after an inquiry concerning a similar product, opened with this sentence: "The most important mail we receive is the kind you have sent us expressing your interest in our products." It continued with information concerning the channelling of the inquiry to a distributor and thence to a local dealer. If each of these took a similar length of time to respond, consequent action would be delayed a further fifty-two days!

Time Period	*Number of Replies*
1-7 days	51
8-14 days	24
15 days and over	13
No reply	13
	101

It is true that these products were shopping goods, the purchase of which is usually prolonged over a moderately long period of time. Nevertheless, delay of this kind is apt to mean that the advertiser sacrifices the benefits of a vigorous first impression. It is extremely surprising that thirteen letters were never answered.

The replies, both printed and personal were signed by assistant managers, sales managers or their assistants, departments concerned, vice-president and general managers, presidents, superintendents, office managers, sales representatives, dealer managers, chief clerks, service managers, etc. It is impossible, however, to place much value on the relative number in each category as the size of the companies, and hence the duties of their officials, lay within such a wide range.

The nature of the letters varied considerably. Eighteen were printed; fifty-one, personal. In nineteen cases, response was represented by literature without an accompanying letter or by calls by salesmen.

Form of Response	*Number of Replies*
Printed letter	18
Personal letter	51
Literature only, or salesmen's calls	19
	88

It may be that, in themselves, printed replies are adequate if they are directed properly to the prospective customer and satisfy his requests. However, the salutation of one letter addressed to a man was "Dear Madam". Another letter was written in French. One could appreciate a problem in language differentiation in some areas in Canada, but the request had been written in English by a man with an English name from London, Ontario. A third printed letter stated, "If you desire further information, we will be pleased to forward the name of ———— contractors in your locality . . ." The lady who received this letter had asked specifically for such names. This response possibly indicates the inadequacy or downfall of a "form" letter. Several other replies of this nature strengthen this point. A large number of printed letters had "typed" additions which answered individual questions. In contrast, some companies offered special personal treatment. ("If you send us your house plans, we will calculate the size of the unit required.") Responses in which literature was unsupported by appropriate personal treatment lost much potential effectiveness. One company sent an expensive two-hundred-page catalogue with a printed letter glued to the title page; in addition, no subsequent follow-up was initiated by this company. Using the reader's correct and complete name is another satisfying kind of personal treatment an advertiser can easily apply, although it seems to be a constant problem to him. Several of the repliers misplaced initials and misspelled names.

Price information was scanty. Although it was requested in nearly every instance, only fourteen companies complied. Could this be the result of recent retail price maintenance legislation? Some companies included "suggested retail prices".

Mr. Borden stresses the fact that "profitable use of advertising depends upon its proper co-ordination with the other marketing and merchandising elements of a program" and that co-ordination includes "the establishment of a correct relationship between . . . advertising and personal selling efforts not only of the company's sales force, but also of the distributors and of their salespeople."[1]

Selling effort is, first of all, contingent on adequate supply. It was discovered that several companies advertised in national magazines, yet did not have complete product coverage throughout the nation. Perhaps these companies plan to extend their distribution to a national basis at a later date and are using national magazines to introduce their respective products. If they do *not* plan to expand, this advertising medium is exceedingly expensive. One company explained its lack of supply and poor timing by writing, "At the moment we do not have ————

[1]*Ibid.* Pages 17 and 373-4.

available, but they will be ready for distribution very shortly, and details will be sent to you." Four months later these had not yet been received. Similarly another manufacturer had taken no steps to place one of his products on the Canadian market, although his advertisements reached Canadian readers; "We are very sorry that we do not have ———— on the Canadian market today, although our present plans are to have them available before the end of 1953. We do, however, have ———— available . . ." The latter attempt may reconcile critics.

In some cases where goods were available, but distribution channels did not reach readers, firms offered direct service: "This unit is available from stock at ————; at the present time we do not have a distributor in London." "At present we do not have a ———— outlet in the London area. However, you may inquire further through ————." One of these, in addition, solicited help in establishing an outlet: "To enable us to make our product available to others in your location, would you kindly forward the name of your nearest ———— dealer?"

When adequate outlets were in operation, some companies seemed reluctant to quote their names. Possibly they wished to avoid favouritism. In apposition to the advertiser who listed several dealers and suggested that the writer choose one near him, several simply referred him to the telephone directory, ignoring his specific inquiry. Surely it is to the advantage of manufacturer and distributor to guide interested readers directly to the point of sale when an advantageous opportunity lies before them. One replier sacrificed his opportunity to hold the customer by dismissing his inquiry as follows: "If you cannot locate a ———— dealer in your community to give you any additional information you may require, please write us when you are ready and we will have one contact you." On the other hand, dealer relations, and eventual profits, should be handsomely improved by replies like this: "Both these firms are reliable and competent . . . When buying a ————, it is very important to have a good dealer, as the type of installation work done is just as important as the type of unit."

Follow-up

In most cases, the leaflets, brochures, and other forms of literature sent out by the companies were of an expensive nature, yet their effect was nullified when a bad impression was made or when, as in most cases, no follow-up ensued.

Salesmen's calls	12
Letters from dealers or manufacturers	8
Letters and calls	1
Preliminary letter but *no follow-up*	67
	88

Most calls were well handled, but a few were made at inopportune times, such as 8 a.m. and dinnertime. Five untimely appearances on the part of one sales representative had a serious negative effect on the purchasing plans of one participant in the investigation. Prior to his calls, she had planned to buy his product. The positive or negative value of *continued* calls is left to the reader to ponder. A salesman, checking on interest expressed in a $4,000 item by another writer, telephoned five weeks after the initial inquiry to make an appointment to see him. He failed to appear at the arranged hour! In spite of a preponderance of mediocre performances, the good calls were *exceptionally* successful. One salesman, whose approach was far superior to that of three competitors, earned a $550 sale. Perhaps one reason for the small number of salesmen's calls reported is the fact that the writers were absent from their homes on week-days. However, should they not have left evidence of their visits or have telephoned to arrange a convenient hour at which to call?

Eight additional letters were received from dealers or manufacturers following the first reply. One remark, "By now you have had time to read our booklet . . .", was contained in a letter which arrived a day ahead of the booklet! In addition to appropriate timing, tact and subtlety are important in follow-up. The firm which observed, "Although the time is here when ———— would be most useful to you, we have not yet received an order from you", may have lost a considerable measure of goodwill. One company sent a salesman and a follow-up letter.

Very *few* companies seemed to pass along the inquiries to their dealers. In view of the high dollar value of most of the products, one would think the companies would refer such expressions of interest to local representatives. Of those letters which *were* sent to dealers, district offices, etc., very few led to concrete action. Sixteen references were made, only eleven of which were followed by sales calls (discussed above) or letters. One salesman who did call tried to promote a competitve product.

Perhaps the advertisers merely wanted to build up the name of their product in the consumers' eyes. However, those companies which requested customers to "write for further information" or to "fill in the coupon" presumably had some other motive in mind. If this was to locate potential customers, why was the follow-up so poor?

Conclusions and Recommendations

The inquiries made during this survey represented at least $7,000 in optimistic potential purchases, divided among the various categories of manufacturers approached. As previously pointed out, the decision on

the part of one participant to purchase one maker's $150 item was reversed in the course of one inquiry. On the other hand, some of her associates formed enthusiastic opinions of the firms involved and of their products—both those about which inquiry was made and complementary products as well. The potential orders represented, plus an intangible measure of goodwill, were undoubtedly worth careful attention on the part of the company officials concerned. In some cases their hearty interest and attention has paid dividends. In others, lack of sincere and efficient treatment has led to the loss of substantial dollar sales.

Even if information concerning his product is available in the writer's locality, any advertiser should be prepared to answer questions arising from his "ads". Sixty of the one hundred and one advertisers actively sought requests in some form in their advertising copy. Four of the sixty did not answer the inquiries! On the other hand, nine of the advertisers who had not sought inquiries declined further information. It may be wise to examine the possible purpose of the coupons or other invitations for requests. These may have been inserted to provide a supplementary service to the customer, to provide direct leads to sales, or especially in the case of coupons, to test a given advertisement or medium. In more of these situations, however, does it seem reasonable to avoid replying to the readers, from the standpoint both of potential sales and of public relations. Less than fifteen percent of the advertisers to whom inquiries were sent failed to realize this, but even this percentage is startling, especially in light of the present return of the "buyers' market". Of those who did reply, many offered incomplete information and careless treatment. Why did these firms ignore the inquiries or handle them lightly?

Needless to say, timing is all-important in acknowledging letters from readers. It is true that the form of the reply and even the follow-up *may* be of little consequence (and the latter, even a nuisance) to the potential customer as long as he receives the information he sought. However, it is also important to examine the replies from the standpoint of the advertiser with a view to the most effective consumer reaction.

The poor results may be due to the widespread distribution enjoyed by the special products in question. Preliminary replies and subsequent follow-ups might have been greater in number if the products had not been available in local retail stores or could be found in only a very few outlets. Nevertheless, we asked for special data, and in any case, some acknowledgment should be made and some action taken to inform the local dealer.

It would be interesting to discover how many other inquiries were made subsequent to the appearance of the advertisements with which we were concerned. It may be possible that adequate response to inquiries

from advertisements is dependent to a considerable extent upon the number of such inquiries. A great many or very few may be handled capably, whereas a moderate number of responses might lead to chaos in the many departments to which the letters are apt to be channelled and also in the offices of distributors, dealers, etc.

Where substantial response merits some organization, perhaps it would be wise to send letters to an "expediting division" (section of the advertising or sales department) or to a designated individual. This division or person would in turn refer requests for information to the proper source and would record acknowledgment of the inquiry, follow-up by company, district offices, distributors, dealers, etc. In the case of coupons, this plan may be directly feasible, but its practicability may be threatened by the diversity of company officials receiving requests originating from interest in advertisements and by the difficult distinctions which might have to be drawn concerning motivation for inquiries, etc.

Food for Thought

Literature and form letters alone cannot be depended upon to close the ultimate sales of consumer durable goods. Steady sales volume and satisfied buyers are commensurate with the continual effort exerted by advertisers of this type of product to reinforce each personal link in the chain from primary interest to final purchase. *Most of today's businessmen believe in the profound effects of advertising — in the interest it can awaken.* It is somewhat disillusioning to discover that so many chains are tangled or broken and that this elusive interest may be untapped.

These observations do not form an authoritative volume of *The Compleat Advertiser*; nor are they intended to be a sophisticated criticism of advertising follow-up. We are anxious that the analysis provoke self-examination on the part of all progressive advertisers in the consumer durables field — and in turn of their sales representatives and the wholesalers and retailers who distribute their products.

How good a fisherman are you?

Handicrafts—An Emergent Canadian Industry

Patricia K. Nicholson

In this article, Mrs. Nicholson has summarized the results of a student project initiated last year in an attempt to familiarize business executives with the economic aspects of the craft industry, recent developments within it, and its impact on many Canadians.

UNDER the impetus provided during the past two decades by many craft guilds, schools, and community organizations and by both federal and provincial governments, Canadian folk arts have undergone a sprightly revival in a period of widespread industrialization. Today more than 400,000 Canadians are interested in developing manual skills and in producing craft goods stemming from our pioneer traditions. Some of these craftsmen are hobbyists, but for many, handicraft activity provides all or some of the necessities of life. In 1951 and 1952, handicraft sales reached approximately $100,000,000. The variety and quality of craft products and the number of craftsmen have also increased. The time seems ripe for a review of this reawakening industry and of its impact on our economy.

The Massey Report quotes the following definition of a craft product: "An individual product of usefulness and beauty, created by hand on a small scale, preferably by the same person from start to finish, employing primarily the raw materials of his own country and when possible his own locality".[2]

It seems self-evident that the success of a craft program of the scale described is largely dependent upon a traditional background, adequate training, abundant resources, careful production, and efficient marketing,

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[1]Among those to whom the author is grateful are: Mr. Paul E. Jensen, Commodity Officer, Commodities Branch, Foreign Trade Service; Mr. D. O. Butler, Crafts Advisor, Community Programmes Branch, Ontario Department of Education; Mr. Blake MacKenzie, Coordinator of Cultural Activities, Department of Economic Affairs, Alberta; Miss Nora McCullough, Secretary, The Saskatchewan Arts Board; Mr. Ivan H. Crowell, Director of Handicrafts, Fredericton; Miss Anna Templeton, Organizing Secretary, Jubilee Guild of Newfoundland and Labrador; Mr. Cliff Robinson, Arts and Crafts Supervisor, Extension Department, U.B.C.; Dr. Jean-Marie Gauvreau, Chairman of the P.Q. Provincial Bureau of Handicrafts and Small Industries; Miss Frances E. Johnston, Director, P.E.I. Arts and Crafts Guild; Miss Eleanor Lowe, Prince of Wales College, Charlottetown; and Mrs. G. S. Currie and Mr. S. G. Hazell, The Canadian Handicraft Guild.

[2]*Report of the Royal Commission on National Development in the Arts, Letters, and Sciences.* King's Printer, Ottawa, 1951. p. 235.

and finally upon the effective coordination of the many necessarily individualistic factors within the industry. This final step, which is now well underway in our country, provides a sparkling catalyst for the foregoing elements.

History

Folk arts stem from basic home needs and are the very foundation of pioneer life. They are the arts upon which every family of early days depended and which members of most families practised, using the raw materials at hand and the inspiration offered by the environment.

Early Canadian crafts were those of the Indian and Eskimo. The first settlers adopted their simple preferences and techniques, but soon artisans arrived from New France to embellish the churches. Later, between the seventeenth and nineteenth centuries, craftsmen from Great Britain and Central Europe migrated to the Atlantic coastal plain and added significantly to our cultural heritage.

The arts these people brought with them flourished for several centuries. Basic crafts were produced in the home for home consumption, or in some cases in small workshops for local sale or to fulfill special orders. Techniques were passed on from master to apprentice or father to son.

Then, with the advent of the machine, handicrafts lost their attraction. Only a few skilled craftsmen continued to ply their trade, some applying their art to industrial needs. In rural areas, some crafts remained in vogue, but production was limited to domestic need.

During the economic crisis of the thirties, unemployed workers and hard-pressed farmers found extra income and satisfaction in craftwork. The value of handicrafts as a supplementary activity, so important in an economy in which seasonal change plays such an important part, was proven. After the recovery, craft production continued to fill in the greater leisure made possible by increased mechanization, and the handicraft renaissance has gathered momentum ever since.

Training

Almost every appropriate Canadian agency has rallied to the craft education movement, and the description the program deserves could itself dominate this paper. For this purpose, however, perhaps it is sufficient to point out that adequate instruction of craftsmen is precedent to the success of the handicraft industry. This applies not only to the training of creative artists but also of the cottage producer who must maintain a guaranteed quality level.

Most Departments of Education include technical and craft courses at varying levels within their day school and evening class programs. Community groups of all kinds reach hobbyists and some commercial craftsmen. Special training is offered to groups at camps, in the army, and in hospitals, special schools, or institutes. Serious students of specialized skills may seek advanced training through various guild organizations, provincial bureaux, or universities (such as Macdonald College, Banff School of Fine Arts, U. B. C. Extension Department and Mount Allison University). Finally, some craftsmen offer instruction independent of the above groups.

Raw Materials

Estimates of total handicraft production are usually made on the basis of raw material sold. The following figures are estimated for 1950:[1]

Tools and equipment purchased by 400,000 individuals at an estimated $20. each	$ 8,000,000.
Material, such as metal, wood, glazes, paint, clay, and dyes, at an estimated $100. per person	40,000,000.
Material, such as cotton, linen, wool, and other fibres, amounting to 5,000,000 lbs. at $4. per lb.	20,000,000.
Total	$ 68,000,000.
Add 50% mark-up	34,000,000.
Total retail value	$102,000,000.

Such estimates certainly encourage increased activity on the part of staple suppliers and particular optimism on the part of specialized craft suppliers and the retailers who distribute their products. The latter group are now organized as the Hobbycraft Retailers Association of Canada.

From the craftsmen's point of view, however, breadth of creative ability and originality depends partially on the availability of a wide variety of materials. As long as the number of craftsmen in any one specialized field remains relatively constant, the suppliers' market will not increase, and hence they might not wish to diversify their inventories. Amount of production and the availability of adequate supplies are certainly mutually dependent.

Until very recently, producing craftsmen, even if in business, have had to buy raw materials on the retail market and sell at a price permitting a large mark-up. This condition meant a considerable sacrifice by the

[1] "Canadian Handicraft Industry Has Developed Rapidly in Past Decade", by Paul E. Jensen. *Foreign Trade*, December 23, 1950.

craftsmen. This difference was narrowed even more if they used foreign supplies. The high price of raw materials also limits the inventory of the craftsmen and hence their ability to create. Now supplies are often purchased at wholesale prices by groups or government agencies on behalf of individual producers.

In the face of these difficulties some creative artists, reverting to the basic premise that handicrafts are produced from local resources and inspired by the originality of some of these resources, have produced outstanding articles using Canadian wool, local vegetable dyes, native stones, and even straw and collies' hair. It is also significant that the world prices of wool do not affect the spinners or weavers raising their own sheep in rural communities.

Production

A consideration of handicraft production may be broken down into an analysis of *who* produces, *how* they produce, and *what* they produce.

The Massey Report[1] observes that in our country the definition of handicrafts is stretched to include the work of highly-skilled full-time professionals, skilled amateurs working part-time, invalids or handicapped people, special community or racial groups, hobbyists, employees of small handicraft industries, and home workers who make mass-produced goods for commercial markets. These producers may be divided into three basic groups: hobbyists, with whom this article is not primarily concerned, creative artists and commercial craftsmen, and cottage or institutional workers. The second group may teach or produce for their livelihood. However, in most cases, the cultural, and hence economic, aspects of their trade rest on the fact that they must work for more than money alone, that they must continually seek new artistic expression while adhering rigidly to quality standards. They must guard against "mass-produced" hand-made articles in response to increased orders, for handicrafts have a scarcity value in addition to an aesthetic value and use value.

The third group supplement their income by producing fairly standard articles in quantity. Two problems arise in connection with this group; one is the necessity of checking quality, sizes, etc. continually; the second is that of encouraging the rise from its ranks of those capable of becoming artists, of organizing production without stifling individuality. Within this group lie fishing and farm families, tourist industry employees, some aged people in institutions, patients in army hospitals, mental hospitals, and sanitoria, prison inmates, and handicapped groups. The craft activities of the first three of these groups contribute in great measure to the economic equilibrium of the country. The former co-

[1]Ibid.

ordinator of the Cheticamp rug industry, Lilian Burke, used to drive about the neighbourhood pointing to a new roof or the addition to a house and observing, "Hooked rugs paid for those."

Under this heading it may be well to point out the debt we owe to many New Canadians who have added substantially to our cultural heritage. Such people as Kjeld and Erica Deichmann of Moss Glen, N.B., ceramists, and Mrs. Iiva Limberg, leather artist, have brought new and stimulating talent to our country. Some handicrafts groups have come en masse to Canada and have set up workshops here as cooperative undertakings. These New Canadians are increasing yearly, and in some provinces, special programs have been effected to preserve their native skills in their new surroundings.

How do these people produce handicraft goods? In other words, how are they organized to carry on their trades? Individual producers find available capital as their product improves and they gain the public interest. Although a great many craftsmen maintain their own workshops or studios and some are employed in such shops, two of the most interesting systems are the producing cooperative and the cottage system. The former provides workshop facilities and buys raw materials for all participating members. The latter, however, is a unique modern example of the old European system of production prior to the Industrial Revolution. It is appropriate in its present application because it is important that the workers remain in their homes. Raw material and equipment may be provided and the finished goods are bought and resold by the owners of such enterprises. Sometimes small mills are operated locally. Examples of the cottage system are the Charlotte County Cottage Craft Group, the Karen Bulow Studio, and the McKay Studio. Home workers employed in a similar project recently earned $12-$15 a week for part-time weaving. Cottage-type industry flourishes in Quebec and the Maritimes. Institutions usually sell craft products from therapeutic programs through their workshops or at special exhibits, deducting the cost of raw materials and remitting the remainder to the individual producers. Although few craft techniques are secrets, it is interesting that some producers work in locked studios.

What do our craftsmen produce? Brief reference must be made to the fact that they must not resort solely and nostalgically to past traditions but must take new and original seps and at the same time must preserve quality standards and originality in the light of increased sales. Quality is guarded by the owners of craft systems, by guilds which set down minimum levels of performance, and by retail outlets which must approve of merchandise before purchasing it for resale.

The main Canadian craft products are weaving, rug-hooking, wood-carving, wood-turning, ceramics, leathercraft, metal work, ivory and soapstone carving, basketry, sculpturing, and needlework.

Marketing

Marketing in turn, involves determination of the market and of competition, pricing, finding outlets, and promoting sales. The market for true handicrafts is found mainly among buyers appreciating fine arts and among visitors who wish to acquire arts representative of local culture. It is indeed surprising that Canadians are by far the largest purchasers of our Canadian craft products. The Department of Trade and Commerce has estimated that we use an estimated $93,000,000 worth of native handicrafts a year, while sales to tourists amount to only $9,000,000 yearly.[1] Probably a substantial addition to the former figure might be justified if the value of goods produced and used domestically were considered. Certainly there is widespread demand for home-made furnishings. It is convenient that our local markets and national market provide such an encouraging outlet; certainly the nearest markets should be tapped first.

Foreign visitors provide a second outlet. In 1951, tourist sales were valued at about $12,000,000. It is felt by most of the craftsmen and authorities that it is better to depend on crafts as a factor encouraging the development of our tourist trade than as likely exports. Some feel we should offer American tourists goods which are "typically Canadian"; this argument bears truth if "typically Canadian" also implies a high standard of quality. Many purely sentimental reproductions may not appeal to visitors from the United States, as their similar background means that they can find similar goods at home. For this reason, Indian goods appeal more strongly to European visitors. Tourists are mainly interested in ceramic pieces, hand-woven articles, and wood-carvings. Most gift stores stock pottery, wood-carvings, jewellery, and leatherwork, although china, glassware, and silverware are becoming increasingly popular. Many ask for specific articles and the products of specific craftsmen, whose quality of work is becoming well-known.[2]

It is important in every instance for the producers to keep abreast of specific demands. These are channelled to them through retail outlets, handicraft bulletins, guilds, and provincial agencies, so that they can apply old skills to the production of new and needed articles for every type of buyer.

Canadian craftsmen meet competition in varied forms. Production of similar goods of better quality or lower price in other countries cuts into tourist purchases, discourages exports, and encourages foreign competition in Canada; machine-made imitations cause confusion among buyers; and mass-produced goods satisfy many needs relatively inexpensively.

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[1] "The Trend is towards a Bright Future for Canadian Handicrafts", by Paul E. Jensen. *Hobby-Craft Magazine,* February, 1952.

[2] Ibid.

The prices of Canadian handicraft articles, when offered for sale in the United States, are found almost invariably to be too high in the light of comparative quality. Prohibitive duties, the high price of raw materials, and the large mark-up desired by most American specialty retailers lessen the margin between cost and selling price for the original producer. In spite of these restrictions, some producers have located enviable American outlets and have received more than three times the Canadian domestic price for high quality goods. Quality alone plays an important part in the prohibitive competition our producers meet in Europe; most European products are much superior to ours. Even if these markets were available, it is doubtful that the majority of individual producers could guarantee substantial and continual supply.

Similarly, Canadian crafts are not too well protected against foreign competition.

"Because mass-produced articles often closely resemble true handicrafts, it has become increasingly difficult for the average person to distinguish between the two".[1] Consequently, commercial reproductions of handicrafts which falsely claim the same premium for individuality and scarcity, are, in some cases, diluting a lucrative market. It is most important that the buying public learn to differentiate between the two types of products. In some cases, misrepresentation is abated by adverse publicity. A knowledge of craft processes may be furthered through demonstrations, lectures, and leaflets. Finally craftsmen can aid their own cause by signing their work.

Machine-made articles are abundant, varied, of good quality, and reasonably priced, but creative craftsmen can compete in some markets with an accent on originality and a good use of colour, texture, and design. In fact, small craft businesses may furnish and buy from large business concerns employing mass production to the extent that the two groups complement one another.

Price is determined largely by the craftsman with the guidance of his retailers or his own experience of what the market will stand. It may, however, vary considerably from one product to another because of the artistic factors involved. Nevertheless, reasonably priced goods will find a market within a relatively short period.

Pricing is difficult because of high raw material prices and the large mark-up demanded by all shops. Often the price received by the craftsman does not compensate him adequately for the time he has invested in production. Usually he has to be content with lower rates per hour, owing to the greater speed and economy with which commercial mer-

[1]Op. Cit. Paul E. Jensen, *Foreign Trade*, December 23, 1950.

chandise can be produced. However, some premium is placed on scarcity and creative ingenuity. Often craftsmen produce relatively abundant quantities of small items with limited variation and are thus sustained while devoting time and energy to more artistic and original endeavours.

Excluding commercial reproductions, the distribution of genuine handicrafts in Canada is largely individualistic — from craftsmen to purchaser — in some instances with craft retail shops as a medium. Many craftsmen, owners of small industries, and institutional workshops, sell a large quantity of their goods directly to ultimate consumers either individually or cooperatively as they become known for their work and grow familiar with the market. This eliminates the expense of middlemen, and in most cases does not involve much direct expense as skilled craftsmen are still enjoying a healthy sellers' market; demand is sustained and supply is limited to the degree that buyers seek the producers. Through exhibitions, provincial bureaux, tourist bureaux, magazine articles, guild activities, handicraft shops, and directories, potential purchasers may be directed to the points of production. Some producers maintain small shops, while others merely sell in their homes or studios. One example of a thriving cooperative attempt to market craft goods directly is the Banff Home Industries; this group produces largely during the slow tourist season and supplies a small cooperative retail shop in Banff.

Many retail outlets purchase goods from craftsmen for resale. Chief among the higher quality outlets are those of the Canadian Handicraft Guild and the P. Q. Handicraft Centre. Comparable independent outlets such as The Heirloom Shop in London, The Guild of All Arts in Scarborough, and similar shops in several of the larger cities provide a distribution channel for the work of skilled craftsmen. Mr. Jensen cites the total sales of approximately 2100 specialty shops in his article in *Foreign Trade.*[1] To their sales we must add those of gift stores, roadside booths, hotel and ship gift counters, etc.

In a few cases, wholesaling enters the distribution system, often under the guidance of government agencies or community organizations. The Quebec government operates a wholesale depot, and the federal government, in cooperation with the Canadian Handicraft Guild, has begun to organize the collection of Eskimo handicrafts. In recent years, the Jubilee Guilds of Newfoundland have embarked on a modified, but similar, plan of handling hand-woven goods.

Except for general industry promotion, such as that carried on by the tourist bureaux, crafts are not the subject of widespread advertising. Even though they may sell direct, most producers do not have sufficient

[1]Ibid.

funds for this purpose. Some fine craftsmen do not produce a sufficient quantity at a steady enough rate to satisfy any demand which such promotion might create. Hence any individual advertising is limited to small insertions in hobby magazines, reference in handicraft directories, road signs, and subtle publicity through word of mouth, descriptions in the press, in magazines, or in craft bulletins, and even the products themselves. In this regard, it has been suggested that handicraft producers might benefit greatly in immediate sales and ultimate protection if they initialled all their products. Secondly, since they undoubtedly have a flair for artistic expression, more might prepare attractive boxes or packages for selling purposes.

Exhibits are probably the most significant means of promotion. Exhibitions, fairs, and demands for displays at all types of meetings and in varied locations are sponsored by government agencies, community groups, guilds, exhibition committees, retailing associations, and art galleries. These exhibitions vary considerably in size, in attendance, and in nature. Some handicraft displays are an integral part of a more comprehensive exhibition, while at the other extreme, the work of a single producer may comprise a complete display. Some encompass the work of suppliers as well. Some are permanent collections, whereas others are of limited duration.

Within the exhibition programs may be found simple displays, demonstrations, lectures, and group meetings. These programs have as their goal not only the mutual benefits which accrue to the participants, but also the education of potential buyers. Their knowledge of skill in craft production, quality in the resultant products, and the problems inherent in production, in itself will protect the exhibitors and their associates. If it is permitted, some of the exhibitors may undertake the maintenance of inventories and the sale of goods. In many cases, interested spectators may give orders directly to the producers or to exhibition officials.

Organization

Because of the fact that individuality of product almost dictates individuality of production, most craft activity is accomplished through small producing and distributing units. As the industry grows in size, it is important that some integration take place so that members may benefit from mutual aid and protection in areas which do not threaten the originality of their work.

Chief among the independent organizations answering this need is the Canadian Handicraft Guild. Supported by subscribers and craftsmen and by government grants for specific purposes, it has been engaged since 1906 in reviving and developing Canadian folk art by providing instruc-

tion, circulating current information, sponsoring exhibitions and competitions, seeking markets, and educating the public. Special emphasis is placed on the quality of work and on the use of native raw materials, on the production of goods representative of background and locality, and on individuality of design.

The Guild carries on these activities through its headquarters organization, its provincial branches, and its many affiliated groups across the country. In addition it has established several retail outlets which handle goods of Guild standards.

Many similar groups on a much smaller scale have been organized on the basis of craft category, locality, specific purposes, type of member (commercial producers, hobbyists, merely interested groups, or a combination) to encourage craft development, to provide instruction and interchange of ideas, and in some cases to facilitate production and distribution. Some are primarily cultural organizations; others approach a type of business cooperative; some are educational groups.

The results of provincial programs vary with the capability of their directors and the funds at their disposal.

The Quebec program of basic education, quality development, and business assistance is administered by the Provincial Bureau of Handicrafts and Small Industry. Instruction is offered at technical and professional schools and in rural workshops. Exhibitions have been organized throughout the province. The Bureau has consistently endeavoured to help by supplying appropriate surveys, advice on technical, industrial, and commercial matters, and even active supervision of individual enterprises. It has set up a distributing centre for raw materials, attempts to develop sales, and channels the desires of buyers to appropriate producers. It maintains records of individual craftsmen and samples of their products and has operated a retail outlet in Montreal for the past three years. One of the main concerns of its officials is the preservation of the traditional rural environment and the enticement of young people to remain in it. In addition, by capturing the leisure time of the "off-seasons" inherent in the tourist industry and agriculture, they feel they supplant many of the goods now imported to the province and increase rural income as well.

This maintenance of economic equilibrium is also an important purpose of the active programs of Nova Scotia and New Brunswick government agencies. The Handcraft Division of Nova Scotia's Department of Trade and Commerce offers instruction, provides business guidance, sells and rents equipment, sponsors exhibitions, distributes raw materials at reasonable prices, publishes a bulletin entitled *Handcrafts* and a handi-

craft directory, and maintains a Handcraft Centre in Halifax for meetings, classes, exhibits, and records and samples of producing craftsmen. The Division does not purchase goods for resale but does refer requests to craftsmen. The New Brunswick Department of Industry and Development also sponsors much craft activity through a program of a similar nature. In Prince Edward Island, however, there is little provincial guidance of producers and no organized distribution of the Island crafts by government agencies. Some work is done by community groups and by the government Tourist Bureau. The Jubilee Guilds of Newfoundland and Labrador coordinate craft activities there.

Handicrafts do not occupy as important a position in Ontario, for it has been more consistently prosperous and has provided a greater measure of security for its inhabitants through its commercial, industrial, and agricultural activities. Craft programs are administered by the Community Programmes Branch of the Department of Education. Under its guidance, some northern groups have acquired skills upon which they depend for part of their livelihood.

The governments of the western provinces have been slow to adopt similar measures of assistance, but have taken their first steps by studying older programs, offering to purchase local products, sponsoring exhibitions, providing instruction and equipment, arranging outlets, etc. The provincial committees realize, however, that a long period of training must precede the establishment of craft industry of any strength.

Chiefly because of this last fact and because education lies within the realm of provincial responsibility, the federal government has only recently entered the handicraft field. In 1937, it initiated a Youth Training Plan by which funds for instructional purposes were made available to the provinces. In 1939-40 the Department of Trade and Commerce sponsored a handicraft survey of Eastern Canada. Two specific racial programs fall under federal control. The Indian Affairs Branch of the Department of Citizenship and Immigration is anxious to see tribesmen engaged in craft work, for such self-supporting activity lessens relief costs and brings tourist money to the country. It helps organize exhibits, distributes raw materials, and finds markets for products in an attempt to encourage young Indians to follow the old craft techniques and to encourage the importance of quality production. The Department of Resources and Development, in cooperation with the Canadian Handicraft Guild, on the other hand, has taken steps to *shield* the Eskimos from outside influences, as their work is an outstanding example of pure primitive art. Representatives simply purchase all production and screen it later. As prices of furs and hunting itself vary from year to year, crafts are important among the Eskimos as a secondary means of support.

A Canadian craft display in New York in February and March, 1952, was arranged by the Department of Trade and Commerce with the help of the Committee of Provincial Handicraft Officials. Perhaps this committee will become increasingly significant in future years.

Canadian Business and the Craft Industry

It is true that crafts in themselves are an industry, that the suppliers of our craftsmen comprise a dependent industry, and that the retailers of craft goods form still a third group. Do other industries or businesses have any direct connection to the handicraft movement?

Canadian business is now, and can continue to be, a significant market for our craftsmen. Its patronage will lend prestige and economic aid to the crafts, and in turn craft work will enhance scores of offices and provide pleasant inspiration to employees. One of the most notable examples of a company's interest in folk art has been the industrial application of art and handicrafts to the British American Oil Building in Toronto. Mr. Thor C. Hansen undertook this challenging and original project, and the results augur well for imitation in the future. "Using Canadian folk art as the basis of his scheme, Mr. Hansen portrayed many aspects of Canadian life through the combined use of numerous native arts and crafts, the motifs and designs selected being in accordance with the traditional principles of folk art. They reflect pride in Canada's heritage of natural materials and craft forms."

"A definite trend is noted in the application of arts and crafts, and it is anticipated that other large corporations, as well as builders, will be interested in using Canadian motifs in stone, wood, ceramics, and metal to enhance the appearance of their structures. Designers and planners of industrial buildings are leaning more and more towards the use of symbols, and are thereby providing practical support for the . . . industry".[1]

The Karen Bulow Studio found a market for handwoven drapery material in the T. C. A. Similarly, an Ontario investment firm has drawn heavily upon craft products in its interior decoration scheme, and the Cheticamp rug hookers have filled several large orders for business firms.

The designs of some original craft products may become the basis of machine-made articles. Industrial producers would do well to keep abreast of handicraft progress for this reason. Some companies, in fact, retain skilled craftsmen for special projects.

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[1]Op. Cit. Paul Jensen. *Foreign Trade,* February 9, 1952.
[1]Ibid.

Alternatively, large companies, especially those supplying the craft industry, might sponsor exhibits, offer prizes, or arrange instruction. The Searle Grain Company of Winnipeg is very interested in the craft program. It has sponsored weaving schools and provides reasonably-priced raw materials to weavers. The St. Stephen Woollen Mills, New Brunswick, has compiled an informative booklet for weavers. Dominion Textiles has recently offered a substantial award for this year's annual London District Weavers' Exhibition.

In the last analysis the fact that business now asks fewer work hours per day and makes early retirement feasible is in itself a subsidy for the craft industry.

Fit for a Queen

The list of presents given to the present Queen and the Duke of Edinburgh during their recent visit to Canada speaks eloquently for the success of the craft movement. Among the gifts were an Eskimo carving, a silver box, a pottery coffee set, a handwrought silver jewellery set with Nova Scotia agates, and handwoven woollens. The City of Montreal bought Canadian handicrafts to decorate the Chalet for the luncheon for the royal visitors.

The decisions behind these purchases reflect a healthy native pride in the products of our own craftsmen. Their activity forms the foundation of an emergent national industry — one which is earning merit and is justifying on both an economic and aesthetic basis the encouragement directed towards it.

Book Review

SALESMAN'S COMPENSATION

by Harry R. Tosdal. Two volumes. Harvard Business School, Division of Research, Boston, Mass., 1953. 920 pp. $11.50.

This is a two volume work which contains a wealth of principles, statistics, and case histories. Professor Tosdal, having observed compensation in booms and depressions, is particularly well-versed to give present-day thinking on this important subject.

Volume I opens with the keystone of compensation . . . an analysis of the sales task itself. This looks at what the salesman thinks he should do versus management's idea of the selling job. Following this, Professor Tosdal reviews techniques for measuring performance against task. In doing this, he examines total volume as a base, gross margin, complete line selling, sales against potential, and other criteria.

With these two vital preliminaries to a scientific compensation plan analysed, attention is next focused on an up-to-date examination of several types of pay plans and the problems of administering each. The author's findings on salary, commission, combination and bonus programs are well presented and are followed by a chapter on fringe benefits . . . pensions, retirement allowances, and other indirect rewards.

The work covered by Volume I is amply substantiated by a statistical survey made with the cooperation of the National Sales Executives group. In this presentation over a thousand individual companies are covered. The findings include level of earnings, turnover, relative popularity of various plans, and the cost of administering each.

In Volume II thirty case studies are offered. The majority of these deal with combination methods, as this was the plan found in the statistical survey to be most popular. Nevertheless, some of the cases do cover the problems of making other types of compensation work. It is also interesting to note the variety of companies covered and to study the executive thinking which went into the selection of each particular plan.

Each case is supplied with an introduction giving the size of the company, products sold, and markets covered. In presenting this, questions for discussion are raised. The author's comments on the problems raised follow each study.

Professor Tosdal's work shows that no one plan suits every firm. Even within an industry the arrangement selected by a large firm may not suit a small organization. It is the dissatisfaction of companies with their plans that keeps leading them towards revisions which accomplish the goal of a high level of business at fair profits.

Finally, the book concludes that while compensation is a powerful means, it cannot take the place of good sales management or the need to recognize that often intangibles . . . recognition, evaluation, and stimulation can be very important in complete success.

—F. W. P. Jones
Professor
U.W.O. School of Business Administration

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